CIRCULAR DATED 3 APRIL 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Circular is issued by KS Energy Limited (the "**Company**"). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained in this Circular.

YOUR ATTENTION IS DRAWN TO SECTION 3.2.3 ENTITLED "IMPLICATIONS OF POEL'S CONTROLLING INTEREST IN THE COMPANY". SHAREHOLDERS SHOULD NOTE THAT THE SHAREHOLDINGS OF THE EXISTING INDEPENDENT SHAREHOLDERS WILL BE DILUTED FROM APPROXIMATELY 36.22% TO APPROXIMATELY 14.25%. THEREFORE, POEL AND HW WILL TOGETHER BE IN A POSITION TO EXERCISE SUPER MAJORITY CONTROL AS THEIR AGGREGATE SHAREHOLDING WILL EXCEED 75% UPON COMPLETION OF THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES. AS SUCH, THE EXISTING INDEPENDENT SHAREHOLDERS' ABILITY TO INFLUENCE THE OUTCOME OF ANY RESOLUTIONS TABLED IN A GENERAL MEETING WILL BE AFFECTED AFTER COMPLETION OF THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES.

KS ENERGY LIMITED

An Integrated Energy Services Hub

(Incorporated in the Republic of Singapore)
Company Registration Number: 198300104G)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

(A) THE PROPOSED DISPOSAL OF KS DISTRIBUTION PTE. LTD. THROUGH THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF KS RESOURCES PTE. LTD (THE "PROPOSED DISPOSAL");

(B) THE PROPOSED ALLOTMENT AND ISSUANCE OF 794,871,795 NEW ORDINARY SHARES IN THE CAPITAL OF KS ENERGY LIMITED TO PACIFIC ONE ENERGY LIMITED ("POEL") AND MS. HEDY WILUAN ("HW") AS CONSIDERATION ("PROPOSED ISSUANCE OF CONSIDERATION SHARES TO THE EXISTING BONDHOLDERS") IN CONNECTION WITH THE PROPOSED PURCHASE OF THE FIXED RATE SECURED BONDS DUE 2020 HELD BY POEL AND HW (THE "PROPOSED KSE BOND PURCHASE FROM THE EXISTING BONDHOLDERS");

(C) THE PROPOSED ISSUANCE OF 551,282,051 CONSIDERATION SHARES TO POEL (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE "PROPOSED ISSUANCE OF CONSIDERATION SHARES TO POEL") WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL; AND

(D) THE PROPOSED ISSUANCE OF 243,589,744 CONSIDERATION SHARES TO HW (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE "PROPOSED ISSUANCE OF CONSIDERATION SHARES TO HW") WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

Independent Financial Adviser to the Non-Interested Directors of the Company

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200310232R)

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	16 April 2019 at 4.00 p.m.
Date and time of Extraordinary General Meeting	:	18 April 2019 at 4.00 p.m.
Place of Extraordinary General Meeting	:	19 Jurong Port Road, Singapore 619093

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In this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

"**Act**" or "**Companies Act**"	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
"**Associates**"	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30 per cent. or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0 per cent. or more
"**Audit and Risk Management Committee**"	:	The audit and risk management committee of the Company comprising its independent directors, namely Mr. Soh Gim Teik, Mr. Lawrence Stephen Basapa and Mr. Chew Choon Soo
"**Board**"	:	The board of Directors of the Company as at the Latest Practicable Date
"**Bond Purchase Agreements**"	:	The bond purchase agreements dated 9 November 2018 entered into between the Company and each of the Existing Bondholders pursuant to which an aggregate of S$31,000,000 in principal amount of Existing KSE Bonds held by the Existing Bondholders, shall be purchased by the Company
"**CDP**"	:	The Central Depository (Pte) Limited
"**CEO**"	:	Chief Executive Officer

"**Circular**"	:	This circular to Shareholders dated 3 April 2019 in relation to the Proposed Disposal, the Proposed Issuance of Consideration Shares to the Existing Bondholders, the Proposed Issuance of Consideration Shares to POEL as an interested person transaction, and the Proposed Issuance of Consideration Shares to HW as an interested person transaction
"**Company**"	:	KS Energy Limited
"**Consideration Shares**"	:	An aggregate of 794,871,795 new ordinary shares in the capital of the Company to be issued as consideration for the payment of the Company for the purchase of the Existing KSE Bonds from the Existing Bondholders
"**Constitution**"	:	The constitution of the Company, as amended, supplemented or modified from time to time
"**Controlling Shareholder**"	:	A person who (a) holds directly or indirectly 15 per cent. or more of the total number of issued shares excluding treasury shares in the company (unless the SGX-ST determines that such a person is not a controlling shareholder of the company); or (b) in fact exercises control over the company
"**Deed of Mutual Release**"	:	The deed of mutual release entered into on 19 October 2018 between the Company KS Distribution Pte Ltd, Actis Excalibur Limited, Kris Taenar Wiluan, Richard James Wiluan, KSR, Aqua-Terra Oilfield Equipment & Services Pte. Ltd. and SSH Corporation Ltd, and as announced by the Company on 19 October 2018
"**Director**"	:	A director of the Company, as at the date of this Circular
"**EGM**"	:	The extraordinary general meeting of the Company to be held on 18 April 2019 at 4.00 p.m. at 19 Jurong Port Road, Singapore 619093, notice of which is set out on page N-1 of this Circular
"**EPS**"	:	Earnings per Share
"**Existing Bondholders**"	:	Pacific One Energy Limited and Ms. Hedy Wiluan
"**Existing KSE Bonds**"	:	Fixed rate secured bonds due 2020
"**FY**"	:	Financial year ended or ending on 31 December, as the case may be
"**Group**"	:	The Company and its subsidiaries, collectively

"**Group NTA**"	:	The net tangible assets of the Group being equal to total assets less total liabilities and intangible assets
"**HW**"	:	Ms. Hedy Wiluan
"**IFA**"	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser appointed to advise on the Proposed Issuance of Consideration Shares to POEL and the Proposed Issuance of Consideration Shares to HW as interested person transactions under Chapter 9 of the Listing Manual
"**IFA Letter**"	:	The letter from the IFA dated 3 April 2019 in relation to the Proposed Issuance of Consideration Shares to POEL and the Proposed Issuance of Consideration Shares to HW, as interested person transactions under Chapter 9 of the Listing Manual, as set out in **Appendix A** to this Circular
"**KS Distribution**"	:	KS Distribution Pte. Ltd.
"**KS Drilling**"	:	KS Drilling Pte. Ltd.
"**KSR**"	:	KS Resources Pte Ltd
'"**Latest Practicable Date**"	:	22 March 2019, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	The listing manual of the SGX-ST, as amended from time to time
"**Market Day**"	:	A day on which the SGX-ST is open for trading in securities
"**Non-Interested Directors**"	:	The Directors who are independent for the purpose of the Proposed Disposal, Proposed Issuance of Consideration Shares to POEL and the Proposed Issuance of Consideration Shares to HW, namely Mr. Samuel Paul Oliver Carew-Jones, Mr. Soh Gim Teik, Mr. Lawrence Stephen Basapa and Mr. Chew Choon Soo
"**Notice of EGM**"	:	The notice of EGM which is on pages N-1 to N-3 of this Circular
"**OCBC**"	:	Oversea-Chinese Banking Corporation Limited
"**Ordinary Resolution 1**"	:	The ordinary resolution to approve the Proposed Disposal

"**Ordinary Resolution 2**"	:	The ordinary resolution to approve the Proposed Issuance of Consideration Shares to the Existing Bondholders
"**Ordinary Resolution 3**"	:	The ordinary resolution to approve the Proposed Issuance of Consideration Shares to POEL as an interested person transaction under Chapter 9 of the Listing Manual
"**Ordinary Resolution 4**"	:	The ordinary resolution to approve the Proposed Issuance of Consideration Shares to HW as an interested person transaction under Chapter 9 of the Listing Manual
"**Ordinary Resolutions**"	:	Collectively, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3 and Ordinary Resolution 4
"**Person**"	:	Any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include (a) the Company's board of directors or any other governing board or (b) the Company's wholly-owned direct or indirect subsidiaries.
"**Purchaser**"	:	ACH Distribution Pte. Ltd
"**POEL**"	:	Pacific One Energy Limited
"**Proposed Disposal**"	:	Proposed disposal of the Sale Shares by the Company to the Purchaser
"**Sale Shares**"	:	100% of the existing issued share capital of KS Resources Pte Ltd
"**SFA**"	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
"**SGXNET**"	:	A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	The registered holders of Shares of the Company, except where the registered holder is CDP, the term "**Shareholders**" shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares

"**Share Charge**"	:	The share charge entered into by the Company on 8 December 2017, pursuant to which the Company has charged, by way of first fixed charge, a portion of its shares in KS Drilling Pte. Ltd. that are legally and beneficially owned by the Company in favour of OCBC (as Security Trustee), as continuing security for the payment and discharge of the Company's obligations under the Bonds
"**Shares**"	:	Ordinary shares in the capital of the Company
"**Substantial Shareholder**"	:	A person who has an interest or interests in voting Shares in the Company representing not less than five per cent. (5%) of all the voting Shares of the Company, as defined under Section 81 of the Companies Act
"**TAEL**"	:	TAEL One Partners Ltd (acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P.)
"**VWAP**"	:	Volume weighted average price
"**Warrants**"	:	65,500,000 non-listed bonus warrants carrying the right to subscribe for one (1) share each in the capital of the Company (held by POEL, HW, TAEL and OCBC)

Currencies, Units and Others

"**%**" or "**per cent.**"	:	Per centum or percentage
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore

The terms "**Depositor**", "**Depository**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term "**associate**" shall have the meaning ascribed to it in the Listing Manual.

The terms "**subsidiaries**" and "**related corporations**" shall have the meanings ascribed to them respectively in the Act.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any term defined under the Act, the SFA, the Listing Manual or such statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Act, the SFA, the Listing Manual or such statutory modification thereof, as the case may be, unless otherwise provided.

DEFINITIONS

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in figures included in this Circular between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

KS ENERGY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 198300104G)

Directors:
Mr. Kris Taenar Wiluan (Chairman and Chief Executive Officer)
Mr. Samuel Paul Oliver Carew-Jones (Executive Director)
Mr. Richard James Wiluan (Executive Director)
Mr. Soh Gim Teik (Lead Independent Director)
Mr. Lawrence Stephen Basapa (Independent Director)
Mr. Chew Choon Soo (Independent Director)

Registered Office:
19 Jurong Port Road
Singapore 619093

3 April 2019

To: The Shareholders of KS Energy Limited

Dear Sir/Madam,

(A) THE PROPOSED DISPOSAL OF KS DISTRIBUTION PTE. LTD. THROUGH THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF KS RESOURCES PTE. LTD (THE "PROPOSED DISPOSAL");

(B) THE PROPOSED ALLOTMENT AND ISSUANCE OF 794,871,795 NEW ORDINARY SHARES IN THE CAPITAL OF KS ENERGY LIMITED TO PACIFIC ONE ENERGY LIMITED ("POEL") AND MS. HEDY WILUAN ("HW") AS CONSIDERATION ("PROPOSED ISSUANCE OF CONSIDERATION SHARES TO THE EXISTING BONDHOLDERS") IN CONNECTION WITH THE PROPOSED PURCHASE OF THE FIXED RATE SECURED BONDS DUE 2020 HELD BY POEL AND HW (THE "PROPOSED KSE BOND PURCHASE FROM THE EXISTING BONDHOLDERS");

(C) THE PROPOSED ISSUANCE OF 551,282,051 CONSIDERATION SHARES TO POEL (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE "PROPOSED ISSUANCE OF CONSIDERATION SHARES TO POEL") WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL; AND

(D) THE PROPOSED ISSUANCE OF 243,589,744 CONSIDERATION SHARES TO HW (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE "PROPOSED ISSUANCE OF CONSIDERATION SHARES TO HW") WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

(COLLECTIVELY, THE "PROPOSED KSE TRANSACTIONS")

1. INTRODUCTION

1.1 Background to the Proposed KSE Transactions

1.1.1 The Company has entered into a series of transactions comprising the internal reorganisation of the subsidiaries of the Company as well as restructuring of bonds, in a bid to reduce the debt burden of the Group and to maximise the value of the Company and its assets for the Shareholders.

This will be achieved by carrying out the following transactions:–

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

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

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

(d) the full repayment and discharge of the loan owing to OCBC amounting to S$5,000,000, through the delivery by the Company of S$5,000,000 in aggregate principal amount of KSR Bonds, fully paid, to OCBC;

(e) entry of the Company into bond purchase agreements (the "**Bond Purchase Agreements**") with each of Pacific One Energy Limited ("**POEL**") and Ms. Hedy Wiluan ("**HW**") (collectively, the "**Existing Bondholders**", each an "**Existing Bondholder**") on 9 November 2018, pursuant to which an aggregate of S$31,000,000 in principal amount of Existing KSE Bonds outstanding as at the date of the Bond Purchase Agreements shall be purchased by the Company; and

(f) the entry of the Company into a subscription agreement with the Existing Bondholders ("**Subscription Agreement**") on 9 November 2018, pursuant to which the Existing Bondholders will subscribe for, and the Company will allot and issue to the Existing Bondholders, an aggregate of 794,871,795 new ordinary shares in the capital of the Company ("**Consideration Shares**"). The Consideration Shares are issued to the Existing Bondholders as consideration for the payment of the Company for the purchase of the Existing KSE Bonds.

The completion of the Internal Reorganisation of Subsidiaries, the Proposed KSE Bond Purchase from OCBC and the Proposed KSR Bonds Issuance are conditional upon one another. The completion of the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares are conditional upon each other.

1.2 Rationale

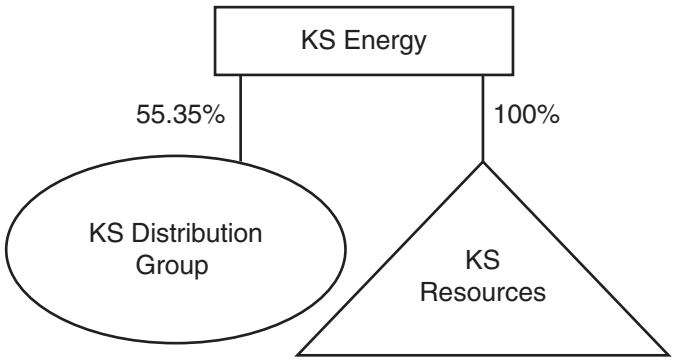
The Internal Reorganisation of Subsidiaries are undertaken in connection with the Proposed KSE Bond Purchase from OCBC and the Proposed KSR Bond Issuance. The aforementioned transactions are undertaken to refinance the Existing KSE Bonds and the OCBC Loan, and allow the Company to restructure and reduce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

The rationale of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is to reduce the debt burden of the Group, eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group, provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow.

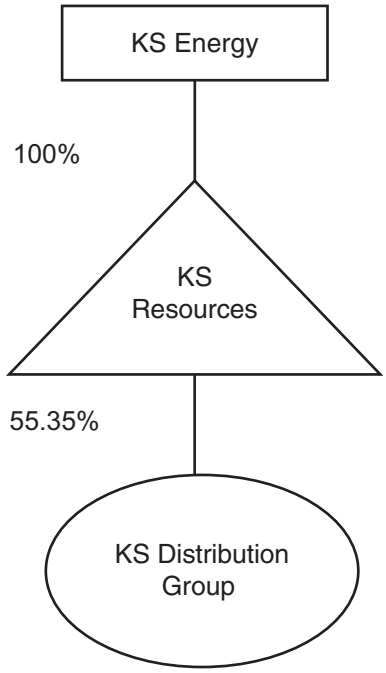
1.3 Internal Reorganisation of Subsidiaries of the Company

Pursuant to the Internal Reorganisation of Subsidiaries, the Company (as vendor) has on 19 October 2018 entered into a sale and purchase agreement with KSR (as purchaser) to transfer all of the Company's 55.35% shareholding interest held in KS Distribution to KSR for a consideration of S$37,857,000, which was determined based on the book value of the shares of KS Distribution as at 30 June 2018 and shall be settled using the proceeds from a proposed new issue of debt securities by KSR. Following the Internal Reorganisation of Subsidiaries, the Company's entire 55.35% shareholding interest in KS Distribution shall be held by its wholly-owned subsidiary, KSR.

Before the Internal Reorganisation of Subsidiaries of the Company



After the Internal Reorganisation of Subsidiaries of the Company



1.4 Bond Restructuring of the Existing KSE Bonds ("Bond Restructuring")

Background

1.4.1 By way of background, the Company had in 2013, issued an aggregate of S$45,000,000 in principal amount of 6.00 per cent. convertible bonds due 2016 ("**2013 Bonds**") to Oversea-Chinese Banking Corporation Limited ("**OCBC**"), and TAEL. S$30,000,000 in principal amount of the 2013 Bonds were issued to OCBC, whilst the remaining S$15,000,000 in principal amount of the 2013 Bonds were issued to TAEL. Subsequently, in 2015, TAEL sold their $15,000,000 in principal amount of the 2013 Bonds to POEL and POEL sold $9,500,000 in principal amount of the 2013 Bonds to HW. In September 2015, TAEL was issued an aggregate of S$7,500,000 in principal amount of 6.00 per cent. new convertible bonds due 2016 ("**2015 Bonds**") (collectively together with the 2013 Bonds, the "**Existing Convertible Bonds**").

1.4.2 Subsequently, the Company had on 26 May 2017 entered into bond purchase agreements with OCBC, TAEL, POEL and HW (collectively, the "**Lenders**") for the proposed issue of an aggregate principal amount of up to S$65.5 million Existing KSE Bonds by the Company (the "**Proposed Bonds Issue**"). As a condition for the Proposed Bonds Issue, the Company had on 26 May 2017 entered into bond repurchase agreements with each of the Lenders, pursuant to which the Existing Convertible Bonds were purchased by the Company for cancellation. The aggregate consideration under the Proposed Bonds Issue was satisfied by the repurchase of the relevant Existing Convertible Bonds by the Company from each of the Lenders. Thus, all the Existing Convertible Bonds have been purchased by the Company and cancelled. None of the Lenders holds any Existing Convertible Bonds.

For the avoidance of doubt, the details of the Proposed Bonds Issue are set out as follows:

Name of Lender	Aggregate Principal Amount of Existing Convertible Bonds that shall be repurchased (S$)	Aggregate Principal Amount of Existing Loans that shall be converted	Principal Amount of Existing KSE Bonds (S$)
POEL[(1)]	5,500,000	US$3,287,500 and S$8,623,917	18,500,000
HW	9,500,000	–	9,500,000
TAEL	7,500,000	–	7,500,000
OCBC	30,000,000	–	30,000,000

Note:

(1) Pursuant to the bond purchase agreement entered into between the Company and POEL, the Company shall convert the existing loans of aggregate principal amount of US$3,287,500 and S$8,623,917 owed by the Company to POEL ("**Existing Loans**") into Existing KSE Bonds to be issued to POEL.

1.4.3 The bond purchase agreements entered into between the Company and each of the Lenders on 26 May 2017, were amended and restated on 1 August 2017 by way of deeds of amendment and restatement, and further amended and restated on or around 4 October 2017 (the "**Original Bond Purchase Agreement**"). Pursuant to the deeds of amendment and restatement, the Company and the Lenders had agreed to extend the proposed closing date under the purchase agreement from 21 September 2017 to no later than 21 December 2017 and to waive the payment of the accrued interest and redemption premium under the 2013 Bonds that were held by each of them respectively up until 21 December 2017. For the avoidance of doubt, the proposed closing date refers to the date of completion of the issuance by the Company of the Existing KSE Bonds in accordance with the Original Bond Purchase Agreement.

1.4.4 The Company and the Lenders have subsequently entered into the First Supplemental Agreement to amend and supplement the Original Bond Purchase Agreement on 24 April 2018 and the Second Supplemental Agreement to amend and supplement the Schedule 1 (Terms and Conditions of the Bonds) (the "**Conditions**") of the Original Bond Purchase Agreement (collectively with the Original Bond Purchase Agreement, the "**Previous Bond Purchase Agreement**"). On 7 December 2018, the Company and the Lenders (parties to the Third Supplemental Agreement) entered into the Third Supplemental Agreement to amend and supplement the Previous Bond Purchase Agreement on or around 7 December 2018. Following the entry into the supplemental agreements, the following amendments have been made to the Original Bond Purchase Agreement:

(i) the Company and the Lenders have agreed to disapply Clause 4.5 of the Original Bond Purchase Agreement for each of the measurement periods with calculation dates occurring on 31 March 2019, 30 June 2019, 30 September 2019, 31 December 2019, 31 March 2020, 30 June 2020, and 30 September 2020. Clause 4.5 of the Original Bond Purchase Agreement provides inter alia that the Company must ensure that its consolidated net borrowing does not exceed 10 times its consolidated net tangible assets;

(ii) with reference to Condition 5 of the Conditions on interest payable, the Company and the Lenders have agreed to extend the first interest payment date to 8 December 2020 (the "**Maturity Date**") (the "**Interest Payment Date Extension**"). The interest payable on the Maturity Date shall comprise the interest payable in arrears on 8 December 2018, 8 June 2019, 8 December 2019, 8 June 2020 and the Maturity Date itself; and

(iii) the Company and the Lenders have also agreed that default interest under Condition 6E of the Conditions is not payable in relation to the Interest Payment Date Extension. Condition 6E provides inter alia that if the Company fails to pay any sum in respect of the bonds when the same becomes due and payable, interest shall accrue on the overdue sum.

Bond Restructuring – OCBC

1.4.5 OCBC was the legal and beneficial owner of S$30,000,000 in principal amount of the Existing KSE Bonds outstanding as at the date of the Agreements.

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

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

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

1.4.9 Separately, the consideration for the payment by the Company of the OCBC Loan Repayment of S$5,000,000 shall be through the delivery by the Company of a further S$5,000,000 in aggregate principal amount of KSR Bonds, fully paid, to OCBC. OCBC subscribed for an aggregate of S$35,000,000 KSR Bonds. Thus, completion of the OCBC Bond Restructuring on 10 December 2018 constitutes a full and final discharge of the Company's obligations towards OCBC under, *inter alia*, Schedule 1 of the Terms and Conditions of the Existing KSE Bonds and the Share Charge dated 8 December 2017 entered into between the Company (as Chargor), OCBC (as Security Trustee), the Existing Bondholders and the other holders of the Existing KSE Bonds.

1.4.10 The Company obtained the consent of the other holders of the Existing KSE Bonds and the holders of the Warrants in relation to the Internal Reorganisation of Subsidiaries, the Proposed KSE Bond Purchase from OCBC and the Proposed KSR Bonds Issuance.

Bond Restructuring – Proposed KSE Bond Purchase from the Existing Bondholders

For illustration purposes, following the OCBC Bond Restructuring, details of the bondholders of the Company as at the date of the Bond Purchase Agreements are set out as follows:

Name of bondholder	Principal Amount of Existing KSE Bonds (S$)
POEL	18,500,000
HW	9,500,000
TAEL	7,500,000

1.4.11 POEL was the legal and beneficial owner of S$18,500,000 in principal amount of the Existing KSE Bonds outstanding as at the date of the Bond Purchase Agreements.

TAEL, the legal and beneficial owner of S$7,500,000 in principal amount of the Existing KSE Bonds 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. For the avoidance of doubt, TAEL and POEL are independent parties, and not related to each another.

1.4.12 HW was the legal and beneficial owner of S$9,500,000 in principal amount of the Existing KSE Bonds outstanding as at the date of the Bond Purchase Agreements.

1.4.13 As POEL had subsequently entered into a bond purchase agreement on 5 December 2018 with TAEL to purchase an additional S$3,000,000 in principal amount of Existing KSE Bonds from TAEL, POEL is also the legal and beneficial owner of an additional S$3,000,000 in principal amount of the Existing KSE Bonds. In relation thereto, the Company shall purchase these additional S$3,000,000 worth of Existing KSE Bonds from POEL in consideration for the payment by the Company of the purchase price of S$3,000,000, the consideration of which shall be through the issuance and allotment of new ordinary shares at the Issue Price for each new share.

Details of the bondholders of the Company following POEL's purchase of an additional S$3,000,000 in principal amount of Existing KSE Bonds from TAEL are set out as follows:

Name of bondholder	Principal Amount of Existing KSE Bonds (S$)
TAEL	4,500,000
POEL	21,500,000
HW	9,500,000

1.4.14 Thus, the Existing Bondholders wish to sell, and the Company wishes to purchase S$21,500,000 in principal amount of the Existing KSE Bonds from POEL and S$9,500,000 in principal amount of the Existing KSE Bonds from HW for the payment by the Company of the Purchase Price through the issuance and allotment of 551,282,051 and 243,589,744 Consideration Shares at the issue price of S$0.039 per Consideration Share ("**Issue Price**"). The Issue Price is computed based on the 6-month VWAP (calculated using closing prices) which was S$0.0398 on 30 October 2018. The Issue Price represents a premium of 11.4% to the volume weighted average price of S$0.035 for trades done on the Shares on the SGX-ST on 2 November 2018 (being the last full market day preceding the date on which the Subscription Agreement was signed). For the avoidance of doubt, the Proposed KSE Bond Purchase does not extend to TAEL.

Details of the bondholders of the Company following the Proposed KSE Bond Purchase from the Existing Bondholders (and completion of the Proposed Issuance of Consideration Shares) are set out as follows:

Name of bondholder	Principal Amount of Existing KSE Bonds (S$)
TAEL	4,500,000

1.4.15 In relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders as set out under Section 1.4.14 above, the Company had on 19 October 2018 entered into the Subscription Agreement with the Existing Bondholders in satisfaction of the consideration for the purchase price of S$31,000,000 for the Existing KSE Bonds ("**Purchase Price**") pursuant to the Bond Purchase Agreement, through the issuance and allotment of an aggregate of 794,871,795 Consideration Shares to the Existing Bondholders at the issue price of S$0.039 per Consideration Share. For the avoidance of doubt, the Subscription Agreement entered into does not extend to the S$4,500,000 in principal amount of Existing KSE Bonds held by TAEL.

1.4.16 The Company obtained the consent of the other holders of the Existing KSE Bonds and the holders of the Warrants in relation to the Proposed KSE Bond Purchase from the Existing Bondholders.

Pursuant to the Terms and Conditions of the Existing KSE Bonds of the Original Bond Purchase Agreement, the Existing KSE Bonds may be redeemed as follows:

(i) Unless previously redeemed or purchased and cancelled as provided herein, the Company will redeem the Existing KSE Bonds at 119.82 per cent. of its principal amount together with unpaid accrued interest thereon the maturity date on or about 8 December 2020 or at 125.90 per cent. of its principal amount together with unpaid accrued interest thereon on or about 8 December 2021 (the "**Extended Maturity Date**") (as applicable).

(ii) Bondholders may redeem all or some only of the Existing KSE Bonds at the early redemption amount plus accrued and unpaid interest, where there is a change of control of the Company or if there is de-listing or suspension of trading of Shares for a period exceeding thirty (30) market days.

For each S$50,000 in principal amount of the Existing KSE Bonds purchased at the issue price on the date of issue, the early redemption amount shall be determined in accordance with the following formula:

Early Redemption Amount = S$50,000 X (1 + r)^ (d / p) – AI, where

r = 8.00 per cent., expressed as a fraction

d = number of days from and including the closing date to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed

p = 360

AI = the accrued interest plus the cumulative interest paid on an Existing KSE Bond determined in accordance with the terms and conditions of the Existing KSE Bonds

Further, pursuant to the Terms and Conditions of the Existing KSE Bonds of the Original Bond Purchase Agreement, the Company or any of its subsidiaries may at any time and from time to time purchase bonds at any price in the open market or otherwise. Such bonds may, at the option of the Issuer or the relevant subsidiary, be held, resold or cancelled. The bonds so acquired, while beneficially held by or on behalf of the Company or any subsidiary, shall not entitle the holders thereof to exercise any voting rights with respect to such bonds. Such bonds will also not be considered outstanding for certain purposes.

Shareholders of the Company are advised to carefully read Page 148 to Page 149 of the Annual Report 2017 of the Company for salient information on the Existing KSE Bonds.

Shareholders of the Company are also advised to carefully read Page 149 to Page 150 of the Annual Report 2017 of the Company for salient information of the Existing Warrants.

1.4.17 The Proposed Issuance of Consideration Shares is subject to, *inter alia*, the approval of shareholders of the Company ("**Shareholders**"), which shall be sought at the extraordinary general meeting ("**EGM**") to be convened.

1.4.18 Pursuant to the Bond Purchase Agreements and the Proposed Issuance of Consideration Shares, the Existing KSE Bonds held by POEL and HW shall be purchased and cancelled by the Company.

1.4.19 The Group's principal operating segment is held under its 80.09% owned subsidiary, KS Drilling Pte. Ltd. Following completion of the purchase of the Existing KSE Bonds and the Proposed Issuance of Consideration Shares, the shares in KS Drilling Pte. Ltd. as security shall be further reduced to 12,308,427 shares and 6.9% in number of all other shares in the share capital of KS Drilling Pte. Ltd. which are in the future issued to or acquired or subscribed by the Company or (to the extent of the Company's interest) in which the Company in future has an interest (i.e. based on the remaining 19.91% of the shares in KS Drilling Pte. Ltd.). In relation thereto, completion of the Proposed KSE Bond Purchase from the Existing Bondholders and the concurrent Proposed Issuance of

Consideration Shares shall constitute full and final discharge of the Company's obligations towards the Existing Bondholders under, *inter alia*, Schedule 1 of the Terms and Conditions of the Existing KSE Bonds and the Share Charge dated 8 December 2017 entered into between the Company (as Chargor), OCBC (as Security Trustee), the Existing Bondholders and the other holders of the Existing KSE Bonds.

For the avoidance of doubt, all the Company's obligations at any time due, owing or incurred by the Company to TAEL pursuant to *inter alia*, Schedule 1 of the Terms and Conditions of the Existing KSE Bonds and the Share Charge dated 8 December 2017, whether present or future, actual or contingent (and whether incurred solely or jointly and whether as principal or surety or in some other capacity) except for any obligation or liability which, if it were included, would cause that obligation or liability or any of the Security in respect thereof, to be unlawful or prohibited by any applicable law, shall remain.

For the avoidance of doubt, TAEL was aware of the bond restructuring exercise and had approved the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares to HW and POEL, in accordance with the Terms and Conditions of the Existing KSE Bonds. TAEL has decided to remain as a bondholder of the Company and the Company will update Shareholders should there be any further developments on the remaining S$4,500,000 in principal amount of bonds held by TAEL.

1.5 The Proposed Disposal

(a) Background

The board of directors (the "**Board**" or the "**Directors**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") had announced on 19 October 2018 that the Company entered into a sale and purchase agreement (the "**SPA**") with ACH Distribution Pte. Ltd (the "**Purchaser**") on 19 October 2018 in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KS Resources Pte Ltd (**"KSR"**) ("**Sale Shares**", and KSR together with its subsidiaries collectively, the "**Target Group**") which holds 55.35% of KS Distribution Pte. Ltd. ("**KS Distribution**"), and subject to the terms and conditions of the SPA (the "**Proposed Disposal**") for an aggregate cash consideration of S$1,643,000 (the "**Consideration**"). The Proposed Disposal had been completed on 10 December 2018.

(b) SGX waiver of compliance with Rule 1014 of the Listing Manual

Following consultation with the SGX-ST, notwithstanding that KS Distribution represents a core asset of the Group, the Company has obtained an approval-in-principle in relation to the Company's application to waive compliance with Rule 1014 of the Listing Manual in respect of the Proposed Disposal (the "**SGX AIP**"). Pursuant to the SGX AIP, the Company (as a condition subsequent to the SPA) has to seek the approval of the Shareholders for the Proposed Disposal within three (3) months from the date of completion of the Proposed Disposal, which was on 10 December 2018. As announced on 19 March 2019, the Company had on 1 March 2019 sought an extension of the three-month deadline to seek the approval of the Shareholders for the Proposed Disposal. The SGX-ST had on 18 March 2019 granted the Company an extension of thirty-nine (39) days, which is approximately five (5) weeks to hold the EGM for the Proposed KSE Transactions, including the Proposed Disposal no later than 18 April 2019.

1.6 The Proposed Issuance of Consideration Shares to the Existing Bondholders in connection with the Proposed KSE Bond Purchase from the Existing Bondholders

Rule 805 of the Listing Manual

Rule 805(1) of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting.

Pursuant to the Proposed Issue of Consideration Shares, the Company will be seeking specific approval from its Shareholders for the issue and allotment of the Consideration Shares, for purposes of Rules 805 of the Listing Manual.

1.6.1 The Proposed Issuance of Consideration Shares to POEL

(a) Information on POEL

POEL is a private company incorporated in the British Virgin Islands and its directors are Mr. Kris Taenar Wiluan, Mrs. Elizabeth Amanda Wiluan and Mr. Richard James Wiluan, each of whom is related to one another. Mr. Kris Taenar Wiluan, the Chairman and CEO of the Company, directly owns 40.0 per cent. of the equity interests of POEL and Rija Holdings Limited holds 60.0 per cent. of the equity interests of POEL. One of the directors of Rija Holdings Limited is Mr. Richard James Wiluan, who is also an Executive Director of the Company. The other director of Rija Holdings Limited is Mrs. Elizabeth Amanda Wiluan (wife of Mr. Kris Taenar Wiluan and the mother of Mr. Richard James Wiluan). The shareholders of Rija Holdings Limited are Mr. Kris Taenar Wiluan who directly owns 70.0 per cent. of the equity interests of Rija Holdings Limited and an investment holding company which directly owns 30.0 per cent. of the equity interests of Rija Holdings Limited. Mr. Kris Taenar Wiluan directly owns 100.0 per cent. of the equity interests of the investment holding company. As at the Latest Practicable Date, POEL holds an aggregate of 308,281,662 Shares, representing approximately 59.79 per cent. of the total Shares. POEL holds S$21.5 million in principal amount of Existing KSE Bonds.

(b) Interested Person Transaction under Chapter 9 of the Listing Manual

Accordingly, each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan is regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual. Therefore, the Proposed Issuance of Consideration Shares to POEL constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual, and is therefore subject to the approval of the Shareholders at the EGM.

Please refer to sections 3 and 4 of this Circular for information, including the rationale and benefits, on the Proposed Issuance of Consideration Shares to POEL and Appendix A to this Circular for the IFA Letter.

(c) Restricted Placee under Rule 812(1) of the Listing Manual

Pursuant to Rule 812(1) of the Listing Manual, the Consideration Shares will not be offered to, *inter alia*, the Company's Directors and Substantial Shareholders, corporations in whose shares the Company's Directors or Substantial Shareholders have an aggregate interest of at least 10.0 per cent. or any other person in the categories set out in Rule 812(1) of the Listing Manual, unless specific Shareholders' approval for such subscription is obtained.

POEL is a restricted placee pursuant to Rule 812(1) of the Listing Manual as it is a Substantial Shareholder that holds 308,281,662 shares in the Company (the "**Shares**"), representing 59.8 per cent. of the total issued and paid-up share capital of the Company. In addition, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being Directors of the Company, hold more than 10.0 per cent. of the equity interests in POEL. Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders' approval for the Proposed Issuance of Consideration Shares to POEL is obtained. Each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders and Ordinary Resolution 3 in relation to the Proposed Issuance of Consideration Shares to POEL as an interested person transaction. For the avoidance of doubt, HW (as an Associate of POEL), will also abstain from voting on Ordinary Resolution 3 in relation to the Proposed Issuance of Consideration Shares to POEL as an interested person transaction.

1.6.2 The Proposed Issuance of Consideration Shares to HW

(a) Information on HW

As HW is the sister of Mr. Kris Taenar Wiluan, HW is an Associate of Mr. Kris Taenar Wiluan and Mr. Kris Taenar Wiluan is the Chairman, CEO and deemed a Controlling Shareholder of the Company. Accordingly, HW is regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. As at the Latest Practicable Date, HW is deemed interested in 20,580,000 Shares, representing approximately 3.99 per cent. of the total Shares, by virtue of Section 4 of the SFA. HW holds S$9.5 million in principal amount of Existing KSE Bonds.

(b) Interested Person Transaction under Chapter 9 of the Listing Manual

The Proposed Issuance of Consideration Shares to HW constitutes an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual, and is therefore subject to the approval of the Shareholders at the EGM.

Please refer to sections 3 and 4 of this Circular for information, including the rationale and benefits, on the Proposed Issuance of Consideration Shares to HW and Appendix A to this Circular for the IFA Letter.

(c) Restricted Placee under Rule 812(1) of the Listing Manual

HW is a restricted placee pursuant to Rule 812(1) of the Listing Manual as HW is the sister and hence an immediate family member of Mr. Kris Taenar Wiluan, the Chairman, CEO and deemed a Controlling Shareholder of the Company. Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders' approval for the Proposed Issuance of Consideration Shares to HW is obtained. Each of HW, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders and Ordinary Resolution 4 in relation to the Proposed Issuance of Consideration Shares to HW as an interested person transaction. For the avoidance of doubt, POEL (as an Associate of HW) will also abstain from voting on Ordinary Resolution 4 in relation to the Proposed Issuance of Consideration Shares to HW as an interested person transaction.

1.7 Material Uncertainty Related to the Going Concern

1.7.1 Background

Pursuant to Rule 704(5) of the Listing Manual, the Company's independent auditor, KPMG LLP, has in their Independent Auditor's Report, included a section on 'Material uncertainty related to going concern' in relation to the Company' financial statements for the financial year ended 31 December 2017 ("**FY2017**"). Pursuant to the Independent Auditor's Report, the existence of a material uncertainty may cast significant doubt on the Group's ability to continue as a going concern if the Company's fund raising plans were not timely executed to meet the Group's debt obligations as and when they fall due. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

The Board has clearly communicated plans to Shareholders to divest certain assets including the proposed disposal of 100% of the existing issued share capital of the Company's wholly-owned subsidiary KSR, which holds 55.35% of KS Distribution. As announced by the Company on 30 March 2016 (the "**Earlier Announcement**"), the Independent Auditor's Report included an emphasis of matter in relation to the Company's financial statement for the financial year ended 31 December 2015. The extract of the emphasis of matter stated that the Group plans to divest certain non-core assets to raise net proceeds of an estimated $59,200,000. Further, with reference to the Earlier Announcement, the Company had on 29 April 2016 updated shareholders that in response to expressions of interest from third parties, it has appointed Oversea-Chinese Banking Corporation Limited as the financial advisor to undertake a process to solicit and consider offers for the acquisition of the Company's majority stake in the distribution business conducted through KS Distribution group of companies.

1.7.2 Group's Financial Statements for the financial year ended 31 December 2018

The unaudited financial statements for the Group for FY2018 have been prepared on a going concern basis, the validity of which is premised on, inter alia, 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 the Group's operating activities.

As at 31 December 2018, the Group's equity attributable to the owners of the Company was negative $10.3 million. Therefore, it should be noted that the Proposed Purchase of Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares would strengthen the Group's equity and may alleviate the Group's going concern issue to a certain extent. Following completion of the Proposed Existing KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares the Group's total borrowings would be reduced from approximately S$380.3 million as at 31 December 2018 to approximately S$346.9 million, on a pro-forma basis. Following completion of the Proposed Existing KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the shareholders' equity of the Group would increase from approximately negative S$10.3 million as at 31 December 2018 to approximately positive S$23.1 million, on a pro-forma basis. As such, the gearing of the Group would significantly improve from approximately minus 36.9 times as at 31 December 2018 to approximately 15.0 times, on a pro-forma basis.

1.7.3 Working Capital Sufficiency

The working capital sufficiency of the Group for the next twelve (12) months is dependent on the Group's ability to secure charter contracts for its fleet of drilling rigs. As mentioned in the Company's results announcement dated 27 February 2019 for FY2018, whilst the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US$30 million.

1.7.4 Bases and Plans to address the Material Uncertainty Related to the Going Concern

The material uncertainty about going concern is primarily due to three issues, namely:

1. Uncertainty regarding the timing and extent of future charter contracts;

2. Uncertainty regarding the existing capital commitments of the Group; and

3. Uncertainty regarding the completion of the purchase of the Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares

As mentioned under Section 1.7.3 above, the uncertainty regarding the timing and extent of future contracts is being addressed by the Group seeking to secure charter contracts for the drilling rigs. The Company shall continue with its marketing efforts in this regard and will update Shareholders as and when new charter contracts are secured. For example, the Company had on 22 February 2019 announced a contract extension in relation to a contract awarded for the *KS Java Star 2* jack-up drilling rig valued at US$6,700,000. Based on the unaudited financial statements for FY2018, the Group has

capital commitments of approximately S$258.1 million and S$230.8 million for assets under construction. The Company had previously convened extraordinary general meetings on (i) 5 October 2011 in relation to the ratification of two contracts entered into between KS Drilling and COSCO Shipyard for the construction and delivery of two (2) jack-up drilling rigs; and (ii) on 21 October 2014 in relation to the ratification of a contract entered into between a wholly-owned subsidiary of KS Drilling and Shanghai Zhenhua Heavy Industry Co., Ltd., for the construction and delivery of one (1) new build jack-up drilling rig based on the Friede & Goldman JU-2000E design, with an option granted to KS Drilling for the construction and delivery of a second rig of the same design. The present uncertainty regarding the existing capital commitments of the Group are being addressed through ongoing discussions with the shipyards. Subject to obtaining the required financing, the Group is expected to have sufficient resources to meet the capital commitments of the Group. The Company shall announce as and when there are material developments in relation to these discussions.

The uncertainty regarding the completion of the purchase of the Existing KSE Bonds and the Proposed Issuance of Consideration Shares relates to the pending outcome of the EGM to be convened in relation to the Proposed KSE Transactions.

Shareholders of the Company are advised to carefully read the Group's audited financial statements for FY2017, and in particular Note 2.1 to the audited financial statements, set out in the Annual Report 2017 of the Company. In essence, Note 2.1 to the audited financial statements relate to the going concern basis of accounting. The financial statements for FY2017 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 the (i) Group's operating activities, and (ii) financing plans.

Shareholders of the Company are further advised to carefully read the Company's results announcement dated 27 February 2019 for FY2018.

1.8 Notification of Inclusion on the Watch-list due to the financial entry criteria

With effect from 5 June 2017, the Company was placed on the minimum trading price entry criterion Watch-list pursuant to Rule 1311(2) of the Listing Manual. With effect from 5 June 2018, the Company was placed on the SGX-ST Watch-list pursuant to Rule 1311(1) of the Listing Manual. Listing Rule 1314(1) states that an issuer may apply for its removal from the Watch-list if its records consolidated pre-tax profit for the most recently completed financial year (based on the latest full year consolidated audited accounts) and has an average daily market capitalisation of S$40 million or more over the last six (6) months.

To this extent, and as evident through the Proposed KSE Transactions, the Company has been actively taking steps to restore its financial health by reducing its debt obligations significantly and extinguishing significant liabilities, thereby striving towards meeting the requirements of Listing Rule 1314(1) within 36 months from 5 June 2018. Failing to do so would result in the SGX-ST delisting the Company or suspending trading in the Company's shares with a view to delisting the Company.

As required by Rule 1313(2), the Company will have to provide quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list, including where applicable its financial situation, its future direction, or other material development that may have a significant impact on its financial position. The Company shall also announce immediately any material development that occurs between the quarterly updates.

1.9 Extraordinary General Meeting

The Board proposes to seek the approval of the Shareholders in respect of the ordinary resolution to approve the Proposed Disposal ("**Ordinary Resolution 1**"), the ordinary resolution to approve the Proposed Issuance of Consideration Shares to the Existing Bondholders ("**Ordinary Resolution 2**"), the ordinary resolution to approve the Proposed Issuance of Consideration Shares to POEL as an interested person transaction ("**Ordinary Resolution 3**"), the ordinary resolution to approve the Proposed Issuance of Consideration Shares to HW as an interested person transaction ("**Ordinary Resolution 4**"), and the approval of Ordinary Resolutions 1, 2, 3 and 4 are inter-conditional.

1.10 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information pertaining to the Proposed Disposal, the Proposed Issuance of Consideration Shares to the Existing Bondholders, and the Proposed Issuance of Consideration Shares to each of POEL and HW as interested person transactions, and to seek Shareholders' approval of the same at the EGM to be held on 18 April 2019 at 4.00 p.m. at 19 Jurong Port Road, Singapore 619093, the notice of which is set out on page N-1 of this Circular.

ORDINARY RESOLUTIONS 1, 2, 3 AND 4 ARE INTER-CONDITIONAL. IN THE EVENT THAT EITHER OF ORDINARY RESOLUTION 1 OR 2 OR 3 OR 4 IS NOT PASSED, THE OTHER ORDINARY RESOLUTION 1 OR 2 OR 3 OR 4 (AS THE CASE MAY BE) WILL ALSO NOT BE PASSED.

The SGX-ST takes no responsibility for the accuracy of any statements or opinions made in this Circular.

2. THE PROPOSED DISPOSAL OF KS DISTRIBUTION PTE. LTD. THROUGH THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF KS RESOURCES PTE. LTD (THE "PROPOSED DISPOSAL")

2.1 Background

The board of directors (the "**Board**" or the "**Directors**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") had on 19 October 2018 announced that the Company (as vendor) had on 19 October 2018 entered into a sale and purchase agreement with KSR (as purchaser) to transfer all of the Company's 55.35% shareholding interest held in KS Distribution to KSR for a consideration of S$37,857,000, which was determined based on the book value of the shares of KS Distribution as at 30 June 2018, and shall be settled using the proceeds from a proposed new issue of debt securities by KSR. Following the Internal Reorganisation of Subsidiaries, the Company's entire 55.35% shareholding interest in KS Distribution is held by its wholly-owned subsidiary, KSR.

The Board had also announced on 19 October 2018 that the Company entered into a sale and purchase agreement (the "**SPA**") with ACH Distribution Pte. Ltd (the "**Purchaser**") on 19 October 2018 in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KS Resources Pte Ltd ("**KSR**") ("**Sale Shares**", and KSR together with its subsidiaries collectively, the "**Target Group**") which holds 55.35% of KS Distribution Pte. Ltd. ("**KS Distribution**"), and subject to the terms and conditions of the SPA (the "**Proposed Disposal**") for an aggregate cash consideration of S$1,643,000 (the "**Consideration**"). The Company had on the same day entered into an agreement with the Purchaser in relation to the payment of a contingent sum in the event certain thresholds and conditions are met ("**Participating Note**") in connection with the Proposed Disposal. Subsequently, the Company and the Purchaser had entered into (i) a supplemental deed on 30 November 2018 (the "**Supplemental Deed**") to extend the Long-Stop Date from 30 November 2018 to 31 December 2018 and (ii) a supplemental deed on 10 December 2018, to amend and supplement the Participating Note.

2.2 Information on the Purchaser

The Purchaser is a company incorporated under the laws of Singapore and wholly-owned by Mr. Christopher Chong, a co-founder of ACH Investments Pte. Ltd. ("**ACH**"), a cross border corporate advisory firm regulated by the Monetary Authority of Singapore. The Purchaser, Mr. Christopher Chong and, ACH are not related to any of the directors, management or controlling shareholders of the Company.

2.3 Salient Terms of the Proposed Disposal

2.3.1 Consideration

The Consideration of S$1,643,000 for the Proposed Disposal will be satisfied in full on Completion (as defined below) in a form to be agreed by the Company and Purchaser. The Consideration was arrived at following arm's length negotiations on a willing buyer willing seller basis, taking into account the book value of the Target Group. No valuation report for the valuation of the Target Group has been prepared. The primary asset within the Target Group comprises the 55.35% stake of KS Distribution that had a carrying value of S$38,746,000 (based on the latest audited accounts of the Group as at 31 December 2017). The primary liability within the Target Group comprises the new aggregate of S$35,000,000 fixed rate unsecured KSR Bonds due 2021 that were issued conditional on the refinancing of liabilities (which was completed as announced by the Company on 11 December 2018) that had a carrying value of S$37,027,000 based on the latest announced unaudited accounts of the Group as at 30 September 2018. Thus, based on management's assessment of the recoverable amount which is arrived at based on the expected fair value less costs to sell, the shares of KSR were estimated to be worth S$1,719,000. For the avoidance of doubt, the entry into the Deed of Mutual Release does not affect the value of the Consideration in relation to the Proposed Disposal as no amount of compensation was paid or received by the Company or any other party in connection with the Deed of Mutual Release.

The key financial information set out below shows the Group's share of results from KS Distribution, which is based on effective interest and is 55.35% of the net profit of KS Distribution:

	FY2018 S$'000	FY2017 S$'000
Q1	-1,661	-3,024
Q2	-1,228	-2,756
Q3	-5,245	-2,389
Q4	-1,092	-5,869
	-9,226	**-14,038**

The Company expects to receive gross proceeds of S$1,643,000 from the Proposed Disposal (excluding transactional expenses to be incurred in connection therewith). The proceeds from the Proposed Disposal will be used by the Company to finance debt repayments.

As at 30 June 2018, the excess of the proceeds of $1,643,000 over the book value of the assets of $(537,000) was $2,180,000. As at 30 September 2018, the deficit of the proceeds of $1,643,000 over the book value of the assets of $1,873,000 was $230,000. The carrying value of KSR increased from S$(537,000) as at 30 June 2018 to S$1,873,000 as at 30 September 2018. The increase was due to a "mark-to-market"[1] increase in the carrying value of KS Distribution, resulting from marking the carrying value to the implied expected selling price.

2.3.2 Conditions Precedent to the Proposed Disposal

Completion of the Proposed Disposal is conditional upon:

(a) the completion of a legal and financial due diligence exercise by the Purchaser and its advisers on the Target Group, which shall include, without limitation, (i) the review of the Target Group's business and operations; (ii) the review of historical figures; (iii) the review of directors, employees and staff; and (iv) the review of any and all documents relating to legal matters, including but not limited to documents in relation to borrowings and guarantees, the results of such exercise being satisfactory to the Purchaser, in its sole and absolute discretion;

(b) all approvals, consents, and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority, bank or financial institution (including the waiver from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the Vendor to obtain shareholders' approval for the sale and purchase of the Sale Shares prior to Completion but excluding the actual shareholders' approval) for the sale and purchase of the Sale Shares being granted or obtained, and being in full force and effect and not having been withdrawn,

[1] "Mark-to-market" generally refers to the marking of an asset to the market price of the asset (e.g. share price quoted on the SGX-ST). In this case, the carrying value of KS Distribution was adjusted through impairment testing to match the estimated fair value of the investment. Once the selling price was certain by the end of Q3 (i.e. financial period ended 30 September 2018), the estimated value was updated to reflect the actual selling price. This is in line with common accounting practices.

suspended, amended or revoked, and if such approval, consents, and/or waivers are granted or obtained subject to any conditions, and if such conditions affect any of the parties, such conditions being acceptable to the party concerned, and if such conditions are to be fulfilled before Completion, such conditions being fulfilled before Completion;

(c) the execution and performance of (i) the SPA and (ii) the Participating Note by the parties not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;

(d) the Purchaser having obtained the necessary funding for the payment in full of the Consideration at Completion;

(e) all warranties provided by the Purchaser and the Company (as the case may be) under the SPA being complied with, true, accurate and correct as at the date of the SPA and each day up to and including the date of Completion; and

(f) no material adverse change in the prospects, operations or financial conditions of the Company occurring on or before the date of Completion.

2.3.3 Participating Note

(a) The SPA is conditional upon and shall be entered into concurrently with the Participating Note to be entered into by the Company and the Purchaser.

(b) Pursuant to the Participating Note, the Purchaser shall keep records of the proceeds (the "**Proceeds**") from (i) any sale or disposal by the Purchaser of all (or any part) of its shareholding in KSR and/or KS Distribution; and (ii) any sale or disposal by KSR of all (or any part) of its shareholding or assets in KS Distribution or the Target Group which results in a payment to the Purchaser, which is capital in nature, including dividends (in cash or kind) or repayment of equity (including capital reduction) to the Purchaser.

(c) The Purchaser shall pay to the Company a participating sum (the "**Participating Sum**") on the portion of the Proceeds which exceeds S$79,500,000 (the "**Threshold Amount**") based on the following formula:

Participating Sum = [Portion of Proceeds which exceeds S$79,500,000] X 50.00% X 55.35%

By way of illustration, and assuming that:

(i) all of KS Distribution's shares were sold by KSR and the Purchaser collectively for S$100,000,000; and

(ii) KSR proceeds to declare a dividend of the entire proceeds of sale it receives to the Purchaser such that the Purchaser is in receipt of the entire S$100,000,000,

the Participating Sum payable to the noteholder will be:

(S$100,000,000 - S$79,500,000 (i.e. Threshold Amount) X 50.00% X 55.35%) = S$5,673,375.

(d) The Participating Note shall be deemed to have fully matured and been fully redeemed upon the earlier of the (i) expiry of three (3) years from the date of the issuance of the Participating Note; or (ii) once the Purchaser has fully divested all its shareholding in KSR.

(e) The Participating Note allows both the Company and Actis to benefit from any realised gains achieved by the Purchaser over the next three (3) years, over and above the agreed Threshold Amount. This threshold is commercially agreed between the parties, not taking into account any particular valuation that was conducted.

2.3.4 Completion

Subject to the terms and conditions of the SPA, completion shall take place on the completion date ("**Completion**"), being the later of (i) the date falling seven (7) business days after the date on which all the Conditions Precedent set out in section 2.3.2 of this Circular have been fulfilled or waived in writing; or (ii) such later date as the Purchaser and the Company may otherwise agree in writing, which in any event shall be no later than the long-stop date of 31 December 2018 or such other date as the Parties may agree in writing ("**Long-Stop Date**"). As announced on 11 December 2018, Completion has taken place on 10 December 2018 and KSR has ceased to be a wholly-owned subsidiary of the Company.

2.3.5 Service Contracts

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. As such, no service agreements will be entered into with the Directors or Controlling Shareholders of the Company or their respective associates in connection with the Proposed Disposal.

2.4 Rationale of the Proposed Disposal

The Proposed Disposal is in line with the Company's intention to dispose the distribution business, which is accounted for as a joint venture and which has been suffering losses in recent years due to instability in the oil prices and slower growth in the global economy. The Company has recorded losses from its share of results from KS Distribution of $2.9 million for the 6-months ended 30 June 2018 and $14.0 million for the 12-months ended 31 December 2017. The Proposed Disposal is undertaken as part of the restructuring of the Group and its debt liabilities. It will also allow the Company to strengthen its financial position. The Proposed Disposal is essential to the Group's continued development and operation as it will result in a substantial reduction in losses, a significant lowering of liabilities and a cash inflow.

With the Proposed Disposal, the Group will focus on its current businesses of capital equipment charter, the provision of drilling and rig management services and specialised engineering and fabrication. There shall be no change in business profile of the Group following the Proposed Disposal.

2.5 Use of Proceeds

The Company expects to receive gross proceeds of S$1,643,000 from the Proposed Disposal (excluding transactional expenses to be incurred in connection therewith). The proceeds from the Proposed Disposal will be used by the Company to finance debt repayments.

2.6 Financial Effects of the Proposed Disposal

For illustrative purposes only, the financial effects of the Proposed Disposal on the net tangible assets per share and earnings per share of the Group based on the audited financial statements of the Group for the financial year ended 31 December 2017 are as follows, assuming that the Internal Reorganisation of Subsidiaries as announced on 19 October 2018 has not completed:

Effects on net tangible assets ("NTA")

Assuming the Proposed Disposal had been completed on 31 December 2017, the effect of the Proposed Disposal on the NTA of the Company is as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Consolidated NTA attributable to the shareholders of the Company (S$)	52,205,000	50,130,000
Number of issued shares (excluding treasury shares)	515,601,215	515,601,125
Net tangible assets per share (Singapore cents)	10.1	9.7

Note:

(1) The consolidated NTA attributable to shareholders of the Company after the Proposed Disposal assumes a loss on disposal of S$2.1 million if completed on 31 December 2017.

Effects on earnings per Share ("**EPS**") or Loss per Share ("**LPS**")

Assuming the Proposed Disposal had been completed on 1 January 2017, the effect of the Proposed Disposal on the Company's EPS or LPS for FY2017 is as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Net profit attributable to shareholders after tax (S$)	(18,295,000)	(17,499,000)
Weighted average number of issued shares (excluding treasury shares)	515,601,215	515,601,215
EPS/(LPS) (Singapore cents)	(3.5)	(3.4)

Note:

(1) The net profit attributable to shareholders of the Company after the Proposed Disposal assumes a loss on disposal of S$6.1 million if completed on 1 January 2017.

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Company after completion of the Proposed Disposal.

2.7 Relative Figures computed on the bases set out in Rule 1006 of the Listing Manual

(a) The relative figures in relation to the Proposed Disposal are computed on the applicable bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST Listing Manual"**) based on the latest announced unaudited consolidated financial statements of the Group for the financial period ended 30 September 2018 (as at the date of the SPA).

(b) For illustrative purposes only, the relative figures for the Proposed Disposal calculated in accordance with the bases set out in Rule 1006, are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of[(1)], compared with the Group's net asset value of S$16,160,000.	11.6%
(b)	The net loss[(2)] attributable to the assets disposed of, compared with the Group's net loss of S$42,622,000[(3)].	Not meaningful[(4)]
(c)	The aggregate value of the consideration received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares.	8.9%[(5)]
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable[(6)]
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves.	Not applicable[(7)]

Notes:

(1) The net asset value attributable to the assets disposed of under the Proposed Disposal is S$1,873,000.

(2) The net loss attributable to the assets disposed of under the Proposed Disposal is S$2,027,000.

(3) The unaudited net loss of the Group for the nine months ended 30 September 2018 were S$42,622,000.

(4) Not meaningful as both the Group and the Target Group are loss-making.

(5) Based on the consideration of S$1,643,000 for the Proposed Disposal, and the Company's market capitalisation of approximately S$18.6 million. The Company's market capitalisation is determined by multiplying the number of ordinary shares (the "Shares") in issue (515,601,215) (excluding treasury shares) by the volume weighted average price of S$0.036 per Share on 18 October 2018, being the full market day immediately preceding the signing of the SPA.

(6) There will be no issuance of consideration shares in relation to the Proposed Disposal.

(7) The Company is not a mineral, oil or gas company.

2.8 Shareholders' Approval in respect of the Proposed Disposal

Based on the above, though the relative figures do not exceed 20%, SGX is of the view that KS Distribution represents a core asset of the Group and that the Proposed Disposal should be subject to the approval of the Shareholders. SGX has formed this view on the basis that the relative figure under Rule 1006(a) would have exceeded the 20% threshold if computed solely based on the net asset value of KS Distribution. In this regard, the Company has obtained confirmation from its majority Shareholder, POEL, which holds 59.79% of the issued share capital (excluding treasury shares) of the Company (as at the Latest Practicable Date) that it is supportive of the Proposed Disposal and would, if required, vote in favour of the Proposed Disposal.

2.8.1 SGX waiver of compliance with Rule 1014 of the Listing Manual

(a) In light of the view adopted by SGX, the Company had on 22 November 2018 formally written in to the SGX in respect of a waiver of compliance under Rule 1014(1) of the Listing Manual, for the Proposed Disposal. Rule 1014(1) of the Listing Manual states that where any of the relative figures as computed on the bases set out in Rule 1006 exceeds 20%, the transaction is classified as a major transaction. Rule 1014(2) of the Listing Manual states that a major transaction must be made conditional upon approval by shareholders in a general meeting.

(b) The Company had submitted the application in relation to the SGX waiver on the following key grounds:

(i) <u>The Proposed Disposal of KSR includes KS Distribution *and* debt liabilities</u>

The Company acknowledges the relative figures under Rule 1006 would exceed 20% if computed based on the net asset value of KS Distribution alone. However, the Proposed Disposal relates to the disposal of KSR which will not only hold the shares of KS Distribution but also certain debt liabilities. The relative figures under Rule 1006 do not exceed 20% for KSR.

(ii) <u>The Proposed Disposal is to an independent third party</u>

The Purchaser was identified pursuant to discussions with a bondholder. The Purchaser is not in any way related to the Company, its directors, the management or its substantial shareholders. Moreover, the Purchaser has also entered separately into an agreement to acquire the shares of KS Distribution held by the Company's joint venture partner, Actis and wishes to complete the transactions simultaneously.

With a view to ensuring deal certainty, the Company has expressed concern that where the SGX waiver is not obtained and prior approval of Shareholders is required for the Proposed Disposal, the timeline to closing the Proposed Disposal would be materially extended, which may adversely affect the Proposed Disposal.

(iii) KS Distribution is a joint venture of the Group

The financial results of KS Distribution are not consolidated line-by-line into the financial statements of the Group. Instead, the financial results of KS Distribution are equity accounted by the Group as a joint venture. The core businesses of the Group that are consolidated line-by-line in the financial statements of the Group are the Drilling business and the engineering business. These comprise 100% of the Group's revenue in the financial year ended 31 December 2017. The Company is not involved in the day to day management of the distribution business and the disposal of KS Distribution will not have a significant impact on the operations of the rest of the Group as their operations are independent.

The Company has disclosed its intentions to dispose of assets, including KS Distribution, since the year ended 31 December 2015.

(iv) Support of majority shareholder

The Company has obtained confirmation from its majority Shareholder, POEL, which holds 59.79% of the issued share capital (excluding treasury shares) of the Company (as at the Latest Practicable Date) that it is supportive of the Proposed Disposal and would, if required, vote in favour of the Proposed Disposal. A signed undertaking from POEL has been obtained and submitted to the SGX.

(v) Financial benefits to the Group

The Board is of the view that the terms of the Proposed Disposal are attractive considering the recent performance of KS Distribution and current market conditions. KS Distribution has been loss making in recent years and the Company has not received a dividend from KS Distribution since 2015. The Company has recorded losses from its share of results from KS Distribution of $2.9 million for the 6-months ended 30 June 2018 and $14.0 million for the 12-months ended 31 December 2017.

The Company's proceeds from the Proposed Disposal will be S$1.643 million but it will also divest debt liabilities with a carrying value of $37.0 million as at 30 September 2018 thereby significantly reducing the Company's finance costs going forward.

The Proposed Disposal is undertaken as part of the restructuring of the Group and to reduce its debt liabilities. It will allow the Company to strengthen its financial position. The Proposed Disposal is essential to the Group's continued development and operation as it will result in a substantial reduction in losses, a significant lowering of liabilities and a cash inflow.

With the Proposed Disposal, the Group will focus on its current businesses of capital equipment charter, the provision of drilling and rig management services and specialised engineering and fabrication. There shall be no change in business profile of the Group following the Proposed Disposal.

(vi) Proposed EGM to be held after the Completion Date (if required)

If required by the SGX-ST, the Company shall arrange to convene an extraordinary general meeting to seek shareholders' ratification for the Proposed Disposal within 3 months from the Completion Date.

(c) The SGX had on 20 November 2018 granted the Company, the SGX AIP, subject to the following conditions being met:

(i) the unanimous approval of the directors of the Company for the Proposed Disposal;

(ii) submission of a written undertaking from the Company that it will seek shareholders' ratification for the Proposed Disposal at an EGM to be convened within three (3) months from the completion of the Proposed Disposal;

(iii) the Company procuring written irrevocable undertakings from shareholders holding shares that carry more than 50% of the voting rights of the Company that:–

(a) they will vote in favour of the resolution to ratify the Proposed Disposal at the EGM to be convened; and

(b) they will not dispose of any part of their existing shares in the Company before and on the date of the EGM;

(iv) submission of a written confirmation from the Company that the waiver does not contravene any laws and regulations governing the Company and the Constitution of the Company; and

(v) the Company's announcement via SGXNet of:–

(a) the grant of the waiver, the reasons for seeking the waiver and the conditions as required under Listing Rule 107;

(b) full details of the Proposed Disposal including information required under Listing Rule 1010; and

(c) unanimous approval of the directors of the Company for the Proposed Disposal.

(d) Pursuant to the Supplemental Deed and in line with the SGX AIP, a new Clause 5A has been inserted into the original SPA as follows:

"**5A. CONDITION SUBSEQUENT**

5A.1 The Vendor undertakes to seek shareholders' ratification for the sale and purchase of the Stake at an extraordinary general meeting to be convened within three (3) months from Completion. Notwithstanding the foregoing, the Parties agree that title of the Stake shall pass to the Purchaser upon Completion.

5A.2 If shareholders' ratification for the sale and purchase of the Stake is not sought for any reason whatsoever, the Parties agree that title of the Stake shall remain with the Purchaser and the Purchaser shall not be obliged to transfer the Stake back to the Vendor unless the Purchaser has (i) received a full refund of the Consideration from the Vendor and (ii) received full repayment of all outstanding loans extended by it to the Company on or around Completion, of an amount in aggregate not more than S$40 million, within four (4) months from the date of this Supplemental Deed. In the event that the Stake has been transferred back to the Vendor, the Purchaser shall ensure that the Stake is transferred free from all charges, liens, mortgages and other Encumbrances."

(e) Further, in accordance with, and to satisfy the conditions set out in the SGX AIP (as stated above), the Directors would like to update that:

(i) the Company has obtained unanimous approval of the Directors for the Proposed Disposal on 18 October 2018;

(ii) the Company shall submit an undertaking to seek Shareholders' ratification for the Proposed Disposal at an EGM to be convened within three (3) months from the completion of the Proposed Disposal, as well as a confirmation that the waiver does not contravene any laws and regulations governing the Company;

(iii) the Company has received an undertaking from POEL on 22 November 2018, which holds 59.79% of the voting shares of the Company (the "**Relevant Shares**"), (i) to vote, and to procure its representative or proxy to vote, in favour of any resolution(s) relating to the Proposed Disposal proposed to be passed at the upcoming EGM, and (ii) to ensure that none of the beneficial interests in the Relevant Shares that it legally and beneficially owns are sold, transferred or otherwise disposed of during the period between the date of the undertaking and the date of the EGM without prior written consent of the Company; and

(iv) full details of the Proposed Disposal including information required under Listing Rule 1010 have been disclosed in the announcements on 19 October 2018 and the responses to SGX queries on 16 November 2018 and the Company.

Based on the foregoing, the Company is therefore seeking Shareholders' approval in respect of the Proposed Disposal.

2.9 Interests in the Proposed Disposal

Save as disclosed in this Circular, none of the Directors or Controlling Shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Disposal (other than in their capacity as Directors or Shareholders of the Company).

3. THE PROPOSED ALLOTMENT AND ISSUANCE OF 794,871,795 NEW ORDINARY SHARES IN THE CAPITAL OF KS ENERGY LIMITED TO PACIFIC ONE ENERGY LIMITED ("POEL") AND MS. HEDY WILUAN ("HW") AS CONSIDERATION ("PROPOSED ISSUANCE OF CONSIDERATION SHARES TO THE EXISTING BONDHOLDERS") IN CONNECTION WITH THE PROPOSED PURCHASE OF THE FIXED RATE SECURED BONDS DUE 2020 HELD BY POEL AND HW (THE "PROPOSED KSE BOND PURCHASE FROM THE EXISTING BONDHOLDERS").

Shareholders should read and carefully consider the key information on the Proposed KSE Bond Purchase from the Existing Bondholders as set out in Section 3.1 of the Circular.

3.1 Proposed KSE Bond Purchase from the Existing Bondholders

3.1.1 The Existing Bondholders wishes to sell, and the Company wishes to purchase S$21,500,000 in principal amount of the Existing KSE Bonds from POEL and S$9,500,000 in principal amount of the Existing KSE Bonds from HW for the payment by the Company of the Purchase Price through the issuance and allotment of 551,282,051 and 243,589,744 Consideration Shares at the issue price of S$0.039 per Consideration Share ("**Issue Price**").

3.1.2 Pursuant to the Bond Purchase Agreements, the Existing KSE Bonds shall be purchased and cancelled by the Company.

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

Shareholders should read and carefully consider the key information on the Proposed Issuance of Consideration Shares to the Existing Bondholders as set out in Section 3.2 to Section 3.9 of the Circular.

3.2 Proposed Issuance of Consideration Shares

3.2.1 Pursuant to the Subscription Agreement, each of the Existing Bondholders will subscribe for, and the Company will issue and allot Consideration Shares at the Issue Price in the following proportion:

Existing Bondholder	**Number of Consideration Shares to be issued**	**As a percentage of the existing issued share capital of the Company as at the Latest Practicable Date[(1)]**	**As a percentage of the enlarged issued share capital of the Company[(2)]**
POEL	551,282,051	106.92%	42.07%
HW	243,589,744	47.24%	18.59%
Total	**794,871,795**	**154.16%**	**60.66%**

Notes:

(1) Based on existing issued share capital of 515,601,215 ordinary shares ("**Shares**") of the Company, excluding 8,639,000 treasury shares.

(2) Based on the enlarged issued share capital of 1,310,473,010 Shares after the completion of the Proposed Issuance of Consideration Shares, excluding 8,639,000 treasury shares.

3.2.2 The direct shareholding interests of the Existing Bondholders in the Company as at the Latest Practicable Date, and immediately after the issuance and allotment of the Consideration Shares are set out as follows:

Existing Bondholder	Number of Shares held as at the Latest Practicable Date	As a percentage of the existing issued share capital of the Company as at the Latest Practicable Date[(1)]	Number of Shares held immediately after issuance and allotment of the Consideration Shares	As a percentage of the enlarged issued share capital of the Company[(2)]
POEL	308,281,662	59.79%	859,563,713	65.59%
HW	0	–	243,589,744	18.59%
Total	**308,281,662**	**59.79%**	**1,103,153,457**	**84.18%**

Notes:

(1) Based on existing issued share capital of 515,601,215 Shares of the Company, excluding 8,639,000 treasury shares.

(2) Based on the enlarged issued share capital of 1,310,473,010 Shares after the completion of the Proposed Issuance of Consideration Shares, excluding 8,639,000 treasury shares.

3.2.3 Implications of POEL's controlling interest in the Company

Shareholders should note that POEL's interest in the Company will increase from approximately 59.79% to approximately 65.59% after completion of the Proposed Issuance of Consideration Shares to the Existing Bondholders. Thus, prior to the Proposed Issuance of Consideration Shares, POEL has already been in a position to exercise statutory control. The aggregate interest of POEL and HW in the Company will increase from approximately 63.78% to approximately 85.75% after completion of the Proposed Issuance of Consideration Shares to the Existing Bondholders.

SHAREHOLDERS SHOULD NOTE THAT THE SHAREHOLDINGS OF THE EXISTING INDEPENDENT SHAREHOLDERS WILL BE DILUTED FROM APPROXIMATELY 36.22% TO APPROXIMATELY 14.25%. THEREFORE, POEL AND HW WILL TOGETHER BE IN A POSITION TO EXERCISE SUPER MAJORITY CONTROL AS THEIR AGGREGATE SHAREHOLDING WILL EXCEED 75% UPON COMPLETION OF THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES. AS SUCH, THE EXISTING INDEPENDENT SHAREHOLDERS' ABILITY TO INFLUENCE THE OUTCOME OF ANY RESOLUTIONS TABLED IN A GENERAL MEETING WILL BE AFFECTED AFTER COMPLETION OF THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES.

Statutory control will put POEL in a position to be able to pass all ordinary resolutions on matters in which the POEL do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company, whilst super majority control will put the POEL and HW (in situations where they are both deemed as interested persons) in a position to be able to pass all ordinary and special resolutions on matters in which the POEL and HW do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company.

3.3 Information on the Existing Bondholders

Please refer to sections 1.6.1 and 1.6.2 of this Circular for further details on the Existing Bondholders.

3.4 Issue Price

The Issue Price represents a premium of 8.3% to the volume weighted average price of S$0.036 for trades done on the Shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 31 October 2018 (being the last full market day preceding the date on which the Subscription Agreements were signed).

3.5 The Consideration Shares

The Consideration Shares represent 154.2% of the existing share capital of the Company. Assuming completion of the Proposed Issuance of Consideration Shares and the issuance of 794,871,795 Consideration Shares, the Consideration Shares will represent 60.7% of the enlarged share capital of the Company of 1,310,473,010 Shares.

Shareholders should note that as at the Latest Practicable Date, in connection with the Bond Restructuring of the Existing KSE Bonds as well as the restructuring of liabilities with OCBC, the 65,500,000 outstanding unexercised Warrants issued by the Company have been terminated with effect from 7 December 2018. As announced on 7 December 2018, the Warrants shall be terminated with mutual consent pursuant to a termination deed (entered into by POEL, HW, TAEL and OCBC). The Board is of the view that termination of the Warrants is to streamline and rationalise the Company's existing capital structure in view of the Proposed KSE Transactions. For the avoidance of doubt, the termination of the Warrants is not a condition for the Bond Restructuring of the Existing KSE Bonds.

Whilst HW and POEL are concert parties pursuant to the definition under the Singapore Code of Take-overs and Mergers, Note 5 to Rule 14.1 of the Singapore Code of Take-overs and Mergers provides that where a group of persons acting in concert holds over 50% of the shares in the Company, no obligation normally arises by any member of the group, in relation to making a mandatory general offer for the Shares under Rule 14 of the Singapore Code of Take-overs and Mergers. Please refer to Section 3.2.2 of this Circular setting out the direct shareholding interests of the Existing Bondholders in the Company.

The Consideration Shares will be issued free from all claims, charges, liens and other encumbrances whatsoever and the Consideration Shares shall rank *pari passu* in all respects with and carry all rights similar to existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the Proposed Issuance of Consideration Shares ("**Completion of the Proposed Issuance of Consideration Shares**").

3.6 Additional Listing Application

The Company will make an application to the SGX-ST for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST. An announcement will be made in due course to notify Shareholders when the Approval In-Principle for the listing of and quotation for the Consideration Shares from the SGX-ST is obtained.

3.7 Rules 804 and 812 of the Listing Manual

Rule 804 of the Listing Manual provides that, except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Listing Manual, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities unless shareholders in general meeting have approved the specific allotment.

In addition, Rules 812(1) and (2) of the Listing Manual provides that, save where specific shareholder approval for such a placement has been obtained, an issue must not be placed to any of the following persons:

(a) an issuer's directors and substantial shareholders;

(b) immediate family members of the directors and substantial shareholders;

(c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**")), associated companies and sister companies of the issuer's substantial shareholders;

(d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10.0 per cent.; and

(e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d) above.

As at the Latest Practicable Date, POEL is a substantial shareholder that holds 308,281,662 Shares, representing 59.8 per cent. of the total Shares, POEL is a restricted place pursuant to Rule 812(1) of the Listing Manual. In addition, Mr. Kris Taenar and Mr. Richard James Wiluan, being Directors of the Company, hold more than 10.0 per cent. of the equity interests in POEL.

As HW is an immediate family member of Mr. Kris Taenar Wiluan, the Chairman, CEO and a controlling shareholder of the Company, HW is a restricted place pursuant to Rule 812(1) of the Listing Manual.

Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders' approvals for the issuance of the Consideration Shares to each of the Existing Bondholders are obtained.

Mr. Kris Taenar Wiluan, Mr. Richard Wiluan and their associates (including HW) will abstain from voting on the ordinary resolution relating to the Proposed Issuance of Consideration Shares.

3.8 Salient Terms of the Proposed Issuance of Consideration Shares

Completion of the Proposed Issuance of Consideration Shares is conditional upon:–

(a) the Company having received approval from the Board in respect of the Proposed Issuance of Consideration Shares;

(b) the approval in-principle of the SGX-ST for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST having been obtained from the SGX-ST (and such approval not having been withdrawn or revoked), and if such approval is granted subject to conditions, such conditions being reasonably acceptable to the Company and the Existing Bondholders, and to the extent that any conditions to such approval are required to be fulfilled on or before Completion, they are so fulfilled to the satisfaction of the SGX-ST or so waived by them;

(c) the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any applicable legislative, executive or regulatory body or authority of Singapore;

(d) there having been no occurrence of any event or discovery of any fact rendering any of the representations and warranties in the Subscription Agreement untrue or incorrect in any material respect as at completion as if they had been given again on the completion date;

(e) each party not being in breach of any of the undertakings and the covenants in this Agreement as at the Completion of the Proposed Issuance of Consideration Shares; and

(f) the Company and its representatives having disclosed publicly any material price-sensitive information (if any) that they have communicated to the Existing Bondholders and that has not been previously disclosed to the public.

The Existing Bondholders may, upon such terms as it thinks fit, waive compliance with the condition set forth in (d) (in respect of any breach by the Company) and such condition so waived shall be deemed to have been satisfied by the Company.

The Company may, upon such terms as it thinks fit, waive compliance with the condition set forth in (d) (in respect of any breach by the Existing Bondholders) and such condition so waived shall be deemed to have been satisfied by the Existing Bondholders.

If any of the conditions under Section 3.8 above are not satisfied or waived by 31 January 2019 (or such other date as may be mutually agreed between the parties), the Subscription Agreement shall terminate and the obligations of the parties pursuant to the Subscription Agreement shall cease and be of no further effect, and in such event neither party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Issuance of Consideration Shares, save for any antecedent breach of the terms of the Subscription Agreement or the parties' respective liability for the payment of costs and expenses in accordance with the terms of the Subscription Agreement. As previously announced, the Company wishes to update that the long-stop date of 31 January 2019 has been extended to 30 April 2019, by way of entry into a supplemental deed with the Existing Bondholders.

3.9 Moratorium

The Existing Bondholders irrevocably and unconditionally undertakes not to, directly or indirectly:

(a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, hypothecate, grant security over, encumber, transfer or otherwise dispose of, any of or any interest in, the Consideration Shares;

(b) enter into any swap, hedge, or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Consideration Shares;

(c) enter into any transaction (including a derivative transaction) or other arrangement with a similar economic effect to the foregoing sub-paragraph (a) or (b);

(d) deposit any of the Consideration Shares in any depository receipt facility;

(e) enter into a transaction which is designed or which may reasonably be expected to result in any of the above; or

(f) publicly announce any intention to do any of the above,

for three (3) calendar months from the date of listing of the Consideration Shares on the SGX-ST.

3.10 Rationale of the Proposed Issuance of Consideration Shares to the Existing Bondholders

The rationale of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is to reduce the debt burden of the Group, eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group, provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow. As such, having considered the terms and benefits of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders, the Board is of the view that the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is in the best interests of the Company.

3.11 Financial Effects of the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares to the Existing Bondholders (collectively, the "Proposed Transactions")

Shareholders are advised to carefully read the financial effects of the Proposed Transactions as set out in Section 3.11 of the Circular.

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

3.11.1 Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed Transactions[1]	515,601,215
After the completion of the Proposed Transactions[1]	1,310,473,010

Note:

(1) Based on 515,601,215 ordinary shares ("**Shares**") (excluding 8,639,000 treasury shares) in issue as at the Latest Practicable Date.

3.11.2 Earnings per Share ("EPS")

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

	EPS (cents)
Before the Proposed Transactions[1]	(3.5)
After the completion of the Proposed Transactions[2]	(1.2)

Notes:

(1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.

(2) Based on 1,310,473,010 Shares in issue after completion of the Proposed Transactions.

3.11.3 Net Tangible Assets ("NTA")

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

	Group (as at 31 December 2017)
As reported	
NTA (S$)	52,205,000
NTA per Share (cents)[1]	10.1
After completion of the Proposed Transactions	
Adjusted NTA (S$)	83,205,000
Adjusted NTA per Share (cents)[2]	6.3

Notes:

(1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.

(2) Based on 1,310,473,010 Shares in issue after completion of the Proposed Transactions and ignoring any gain from the waiver of the accrued interest and redemption premium due on the Existing KSE Bonds.

4. THE PROPOSED ISSUANCE OF CONSIDERATION SHARES TO POEL AND THE PROPOSED ISSUANCE OF CONSIDERATION SHARES TO HW AS INTERESTED PERSON TRANSACTIONS UNDER CHAPTER 9 OF THE LISTING MANUAL

4.1 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions in which a listed company or any of its subsidiaries or associated companies (known as the "**entity at risk**") enters into or proposes to enter into with a party who is an interested person of the listed company. Under Chapter 9 of the Listing Manual, an immediate announcement and subsequent shareholders' approval is required in respect of a transaction between an entity at risk and its interested persons if the value of that transaction exceeds 5.0 per cent. of the latest audited NTA value.

The following definitions are contained under Chapter 9 of the Listing Manual:

(a) the term "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.

(b) the term "entity at risk" means:

  (i) the issuer;

  (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or

  (iii) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the issuer and its subsidiaries (the "listed group"), or the listed group and its interested person(s) has control over the associated company.

(c) the term "interested person", in the case of a company, means:

  (i) a director, chief executive officer, or Controlling Shareholder of the issuer; or

  (ii) an Associate[1] of any such director, chief executive officer, or Controlling Shareholder.

(d) the term "interested person transaction" means a transaction between an entity at risk and an interested person.

[1] "Associate" means (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0 per cent. or more; and (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0 per cent. or more.

4.2 The Proposed Issuance of Consideration Shares to POEL

(a) **Compliance with Chapter 9 of the Listing Manual**

Mr. Kris Taenar Wiluan, the Chairman and CEO of the Company, directly owns 40.0 per cent. of the equity interests of POEL and Rija Holdings Limited owns 60.0 per cent. of the equity interests of POEL. The shareholders of Rija Holdings Limited are Mr. Kris Taenar Wiluan who directly owns 70.0 per cent. of the equity interests of Rija Holdings Limited and an investment holding company which directly owns 30.0 per cent. of the equity interests of Rija Holdings Limited. Mr. Kris Taenar Wiluan directly owns 100.0 per cent. of the equity interests of the investment holding company. Mr. Richard James Wiluan is an Executive Director of the Company and son of Mr. Kris Taenar Wiluan. As at the Latest Practicable Date, by virtue of Section 4 of the Securities and Futures Act (Cap. 289), they are deemed interested in 59.79 per cent. of the issued and paid-up share capital of the Company and for the purposes of Chapter 9 of the Listing Manual are considered controlling shareholders. As Mr. Kris Taenar Wiluan directly holds more than 30.0 per cent. interest in POEL, POEL is an Associate of both Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan.

Accordingly, each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan are regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual.

Based on the foregoing, the Proposed Issuance of Consideration Shares to POEL would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

(b) **Materiality Thresholds under Chapter 9 of the Listing Manual**

In accordance with Rule 906(1)(a) and Rule 918 of Chapter 9 of the Listing Manual, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal or exceeds 5.0 per cent. of the Group's latest audited net tangible assets ("**Group NTA**"), the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

With respect to the Proposed Issuance of Consideration Shares to POEL, the amount at risk to the Company is S$21,500,000 representing approximately 41.2% of the Group NTA of S$52,205,000 as at 31 December 2017. Accordingly, as the amount at risk is more than 5.0 per cent. of the Group NTA, Shareholder's approval is required for the Proposed Issuance of Consideration Shares to POEL.

(c) **Rationale and Benefits of the Proposed Issuance of Consideration Shares to POEL**

Please refer to section 3 of this Circular for the rationale and benefits of the Proposed Issuance of Consideration Shares to the Existing Bondholders.

4.3 The Proposed Issuance of Consideration Shares to HW

(a) **Compliance with Chapter 9 of the Listing Manual**

As HW is the sister of Mr. Kris Taenar Wiluan, HW is an Associate of Mr. Kris Taenar Wiluan. Mr. Kris Taenar Wiluan is the Chairman, CEO and controlling shareholder of the Company. Accordingly, HW is regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual.

Based on the foregoing, the Proposed Issuance of Consideration Shares to HW would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

(b) **Materiality Thresholds under Chapter 9 of the Listing Manual**

With respect to the Proposed Issuance of Consideration Shares to HW, the amount at risk to the Company is S$9,500,000 representing approximately 18.2% of the Group NTA of S$52,205,000 as at 31 December 2017. Accordingly, as the amount at risk is more than 5.0 per cent. of the Group NTA, Shareholder's approval is required for the Proposed Issuance of Consideration Shares to HW.

(c) **Rationale and Benefits of the Proposed Issuance of Consideration Shares to HW**

Please refer to section 3 of this Circular for the rationale and benefits of the Proposed Issuance of Consideration Shares to the Existing Bondholders.

4.4 Current and On-going Interested Person Transactions

The Group has the following interested person transactions ("**IPT**") for the financial year ended 31 December 2018 up to the Latest Practicable Date:

FY2018 (i.e. financial year ended 31 December 2018)

Name of Interested Person	Particulars of Interested Person Transactions	Aggregate value of all IPTs for the financial year ended 31 December 2018 (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 for the financial year ended 31 December 2018 (excluding transactions less than $100,000)
PT KS Drilling Indonesia ("**JVC**") and its subsidiaries ("**JVC Group**")[2]	Expected additional interest income on Financing[2]		S$3,562,231
	Extension of outstanding principal and interest due on the Additional Loan[1]	S$2,544,497	–
	Expected additional interest income on the Additional Loan[1]	S$56,526	–

Notes:

(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 outstanding as at 31 December 2018 was US$0.5 million. The Company released an update announcement dated 21 June 2018.

(2) With reference to the IPT Mandate approved by shareholders at the extraordinary general meeting held on 7 December 2012 and the circular dated 22 November 2012, which was reapproved by shareholders at the annual general meeting held on 26 April 2018, 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 31 December 2018 was US$37.8 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$37.8 million balance is US$0.09 million that was advanced during the financial year ended 31 December 2018.

Save for the above, there are no present and ongoing interested person transactions entered into between the Group and each of HW, POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan for the financial year ended 31 December 2018 that need to be aggregated with the value of the transactions under the Proposed Issuance of Consideration Shares to each of the Existing Bondholders pursuant to Rule 906 of the Listing Manual.

FY2019 (i.e. 1 January 2019 to the Latest Practicable Date)

Pursuant to Rule 905(3) of the Listing Manual, there have been no additional interested person transactions amounting to above S$100,000 for the period from 1 January 2019 to the Latest Practicable Date. Save as disclosed, there are no present and ongoing interested person transactions entered into between the Group and each of HW, POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan for the period from 1 January 2019 to the Latest Practicable Date.

4.5 Total Value of Interested Person Transactions

Total Value of Interested Person Transactions for FY2018 (i.e. financial year ended 31 December 2018)

(a) The total value of all interested person transactions entered into by the Company with POEL, including transactions which are less than S$100,000 and the Proposed Issuance of Consideration Shares to POEL, for the financial year ended 31 December 2018 is S$21,539,315, representing approximately 41.3 per cent. of the Group NTA as at 31 December 2017;

(b) The total value of all interested person transactions entered into by the Company with HW, including transactions which are less than S$100,000 and the Proposed Issuance of Consideration Shares to HW, for the financial year ended 31 December 2018 is S$9,500,000, representing approximately 18.2 per cent. of the Group NTA as at 31 December 2017; and

(c) The total value of all interested person transactions entered into by the Company, including transactions which are less than S$100,000, the Proposed Issuance of Consideration Shares to both the Existing Bondholders, for the financial year ended 31 December 2018 is S$33,801,670, representing approximately 64.7 per cent. of the Group NTA as at 31 December 2017.

4.6 Opinion of the IFA

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") pursuant to Rule 921(4)(a) of the Listing Manual as well as to advise the directors of the Company who are deemed independent (the "**Non-Interested Directors**") in connection with the Proposed Issuance of Consideration Shares to the Existing Bondholders as interested person transactions (i.e. whether the Proposed Issuance of Consideration Shares will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders). The Non-Interested Directors comprise Mr Samuel Paul Oliver Carew-Jones, Mr Soh Gim Teik, Mr Lawrence Stephen Basapa and Mr Chew Choon Soo.

A copy of the letter dated 3 April 2019 from the IFA (the "**IFA Letter**"), containing its opinion in full, is set out in Appendix A of this Circular. Shareholders are advised to read the letter in its entirety.

The advice of the IFA to the Non-Interested Directors in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs has been extracted from the IFA Letter and is reproduced in italics below:

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints inter-alia there being no valuation reports for plant and equipment etc.) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, on balance, the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs are ***ON NORMAL COMMERCIAL TERMS, and NOT PREJUDICIAL*** *to the interest of the Company and its Minority Shareholders.*

We consider the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs to be, on balance, ***ON NORMAL COMMERCIAL TERMS****, from a financial point of view after factoring, inter-alia, the following:-*

(i) The Proposed KSE Bond Purchase from the Existing Bondholders appears to be favourable to the Company after taking into account, inter-alia, the following: (a) notwithstanding the theoretical market value as ascribed in this Letter, the Existing Warrants were terminated and cancelled at no consideration as announced by the Company; (b) the various YTMs for the Proposed KSE Bonds Purchase as described in this Letter is substantially lower than the Original YTM and the Adjusted YTM for the Existing KSE Bonds pursuant to the Original Bond Purchase Agreement; the Singapore Prime Lending Rate for the periods mentioned in this Letter; (c) the Group's WACC; and (d) the interest rates for the Group's bank loan as at 31 December 2018 (comprising the short-term borrowings from POEL, the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2).

(ii) The Issue Price for the Consideration Shares is relatively in line with or more favourable than the historical market prices for the Shares considering, inter-alia, (a) the Issue Price is at premium of approximately 11.4% from the last transacted price for the Shares on the Last Trading Day prior to the Announcement Date; (b) the Issue Price is at discount of approximately 1.2% and 1.3% from the VWCP for the Shares for the 12-month and 6-month periods prior to the Announcement Date respectively; (c) the Issue Price is at a premium of approximately 4.8% and 8.7% over the VWCP for the Shares for the 3-month and 1-month periods prior to the Announcement Date; and (d) the Issue Price is at a premium of approximately 55.9% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Announcement Date and ending on Latest Practicable Date. It is also noted that the Issue Price is at premium of approximately 129.4% over the last transacted price of 1.70 S$ cents per Share on SGX-ST on 22 March 2019, being the Latest Practicable Date.

(iii) Fair comparison of the valuation of the Group as implied by the Issue Price with the Selected Comparable Companies after taking into account the financial performance and position of the Group vis-à-vis the Selected Comparable Companies and the assessment of the Issue Price considering the Group's Net Liabilities and/or NTL position.

(iv) Fair comparison with the Selected IPT Debt Conversions – in particular, the premium of approximately 11.4% as implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date is within the range, and more favourable than the simple average and the median of the Selected IPT Debt Conversions. We also note that in terms of the size, the Proposed Issuance of Consideration Shares is within the range for the Selected IPT Debt Conversions.

*We considered the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs to be **NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders, from a financial point of view after factoring, inter-alia, the following:*

(i) The potential favourable financial effects of the Proposed Transactions on the Group's LPS, equity and gearing position as outlined in Section 3.11 of the Circular and Section 6.2(b) of this Letter where applicable.

(ii) The Group's weak historical financial performance (with gross losses and Adjusted Net Losses during FY2016 to FY2018) and financial position (with negative net working capital of approximately S$18.3 million and Net Liabilities of approximately S$10.3 million as at end of FY2018) with material uncertainty relating to going concern as highlighted in the Circular and the Independent Auditor's Report for FY2017.

(iii) The Directors' view that the Proposed Transactions are in the best interest of the Company in view of, inter-alia, (a) the Proposed Transactions help to reduce the debt burden of the Group; (b) the Proposed Transactions will eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group; (c) the Proposed Transactions will provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow.

(iv) The Directors' confirmation and representation that:-

- *As at the Latest Practicable Date, they are not aware of any alternative offers for funding or refinancing from other parties, which is comparable in nature, size and scope to the Proposed Transactions to refinance the Existing KSE Bonds through the issuance of the Consideration Shares.*

- *The material uncertainty related to the going concern is primarily due to three issues, namely: (i) uncertainty regarding the timing and extent of future charter contracts; (ii) uncertainty regarding the existing capital commitments of the Group; and (iii) uncertainty regarding the completion of the purchase of the Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares. The Proposed Transactions, if approved by the Shareholders, may address the Group's material uncertainty related to the going concern to certain extent and would strengthen the Group's equity and improve its gearing profile.*

Recommendation

Based on our assessment of the financial terms of the Issuance of Consideration Shares to the Existing Bondholders as IPTs as set out above, from a financial point of view, we advise the Non-Interested Directors to recommend that Independent Shareholders vote in favour of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs to be proposed at the EGM. We advise the Non-Interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, inter-alia, the limitation in analysis, evaluation, comments and opinion in this Letter. We advise the Non-Interested Directors to recommend Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and Management and therefore does not reflect any projections or future financial performance of the Company or the Group after the completion of the proposed transactions and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

(1) The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the future financial performance or position of the Company or the Group subsequent to the completion of the proposed transactions (including, inter-alia, the Proposed KSE Bond Purchase from POEL and HW and the Proposed Issuance of Consideration Shares as Interested Person Transactions) or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions (including, inter-alia, the Proposed KSE Bond Purchase from POEL and HW and the Proposed Issuance of Consideration Shares as Interested Person Transactions) can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed Transactions as Interested Person Transactions or the ability of the Group to service all its existing borrowings (both principal and interest payment) when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the Proposed Transactions.

(2) Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group (including without limitation, plant and equipment etc.) or contracts entered into by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, plant and equipment etc.) including, inter-alia, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

In addition, our views or opinion or recommendation(s) are from a financial point of view. We do not express any views or opinions or recommendations on the legal, operational and compliance risk and future financial performance of the Group; ability of the Group to service its existing borrowings; adequacy of the working capital; and the ability to continue as a going concern of the Group.

(3) The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the Company's announcements on the SGX-NET, the unaudited financial statements for the Group for FY2018 and the audited financial statements for the Group for FY2017, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

Specific objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-Interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

4.7 Opinion of the Audit and Risk Management Committee

Accordingly, having considered, *inter alia*, the terms, rationale for and benefits of the Proposed Issuance of Consideration Shares to POEL and the Proposed Issuance of Consideration Shares to HW as well as the opinion and advice of the IFA on the Proposed Issuance of Consideration Shares to the Existing Bondholders, the Audit and Risk Management Committee concurs with the opinion of the IFA and is of the view that the Proposed Issuance of Consideration Shares to the Existing Bondholders are on normal commercial terms in the industry and are not prejudicial to the interests of the Company and its minority Shareholders.

4.8 Abstention from Voting

Pursuant to Rule 812(1) of the Listing Manual, a restricted person under Rule 812(1) of the Listing Rules and his Associates must abstain from voting on the resolution approving the issuance of Shares to the restricted person. Accordingly, the Existing Bondholders will abstain, and will ensure that their Associates will abstain, from voting on the Proposed Issuance of Consideration Shares to HW and the Proposed Issuance of Consideration Shares to POEL. Further, Rule 919 of the Listing Manual requires that interested persons and their Associates must not vote on any Shareholders' resolution approving any interested person transactions.

(a) Proposed Issuance of Consideration Shares to POEL

Each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders and Ordinary Resolution 3 in relation to the Proposed Issuance of Consideration Shares to POEL

as an interested person transaction. For the avoidance of doubt, HW (as an Associate of POEL), will also abstain from voting on Ordinary Resolution 3 in relation to the Proposed Issuance of Consideration Shares to POEL as an interested person transaction.

Based on the foregoing, the aggregate shareholding interests of the interested persons and their Associates that will abstain from voting on the Ordinary Resolutions represent approximately 63.78 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

(b) Proposed Issuance of Consideration Shares to HW

Each of HW, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders and Ordinary Resolution 4 in relation to the Proposed Issuance of Consideration Shares to HW as an interested person transaction. For the avoidance of doubt, POEL (as an Associate of HW) will also abstain from voting on Ordinary Resolution 4 in relation to the Proposed Issuance of Consideration Shares to HW as an interested person transaction.

Based on the foregoing, the aggregate shareholding interests of the interested persons and their Associates that will abstain from voting on Ordinary Resolutions represent approximately 63.78 per cent. of the issued share capital of the Company as at the Latest Practicable Date.

Further, the interested persons and their Associates shall decline to accept appointment as proxies at the EGM unless the Shareholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution.

4.9 Abstention from Recommendation

Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being the interested Directors, have also abstained from making any recommendation to Shareholders on the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares to the Existing Bondholders.

For the avoidance of doubt, Mr. Samuel Paul Oliver Carew-Jones is regarded as a non-interested director as he is the son-in-law of Mr. Kris Taenar Wiluan, and therefore, does not fall within the definition of an "associate" pursuant to the Listing Manual. Further, Mr. Samuel Paul Oliver Carew-Jones does not have a deemed interest in the Shares held by POEL. As he is not an interested director, Mr. Samuel Paul Oliver Carew-Jones need not abstain from voting and making a recommendation on the Ordinary Resolutions.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Shares as at the Latest Practicable Date and following the Proposed Issuance of Consideration Shares to the Existing Bondholders, as recorded in the Register of Directors' shareholdings and Register of Substantial Shareholders' shareholdings respectively, are set out below:

	As at the Latest Practicable Date				Following the Proposed Issuance of Consideration Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%[1]	Number of Shares	%[1]	Number of Shares	%[1]	Number of Shares	%[1]
Directors								
Mr. Kris Taenar Wiluan[2]	–	–	308,281,662	59.79	–	–	859,563,713	65.59
Mr. Richard James Wiluan[2]	–	–	308,281,662	59.79	–	–	859,563,713	65.59
Mr. Samuel Paul Oliver Carew-Jones[3]	1,594,000	0.31	–	–	1,594,000	0.12	–	–
Mr. Lawrence Stephen Basapa	50,000	0.01	–	–	50,000	0.0038	–	–
Substantial Shareholders								
Pacific One Energy Limited[2]	308,281,662	59.79	–	–	859,563,713	65.59	–	–
Rija Holdings Limited[2]	–	–	308,281,662	59.79	–	–	859,563,713	65.59
Dubai Transport Company LLC	50,751,948	9.84	–	–	50,751,948	3.87	–	–
Doba Investment Ltd[4]			50,751,948	9.84	–	–	50,751,948	3.87
Ahmad Abdulrahim Baker[4]	–	–	50,751,948	9.84	–	–	50,751,948	3.87
AMSAF Investment LLC[4]	–	–	50,751,948	9.84	–	–	50,751,948	3.87
Ms. Hedy Wiluan[5]	–	–	20,580,000	3.99	243,589,744	18.59	20,580,000	1.57
UBS Trustees (Bahamas) Limited[6]	–	–	20,580,000	3.99	–	–	20,580,000	1.57
UBS AG[6]	–	–	26,626,250	5.16	–	–	26,626,250	2.03
UBS Group AG[6]	–	–	26,626,250	5.16	–	–	26,626,250	2.03

Notes:

(1) As at the Latest Practicable Date, the percentage of issued share capital is calculated on the basis of 515,601,215 Shares, excluding 8,639,000 treasury shares. Following the Proposed Issuance of Consideration Shares, the percentage of issued share capital is calculated on the basis of 1,310,473,010 Shares, excluding 8,639,000 treasury shares.

(2) Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan are deemed interested in the 308,281,662 Shares held by Pacific One Energy Limited by virtue of Section 4 of the Securities and Futures Act.

(3) Mr. Samuel Paul Oliver Carew-Jones is the son-in-law of Mr. Kris Taenar Wiluan (Chairman and CEO of the Company).

(4) Doba Investments Ltd, Ahmad Abdulrahim Baker and AMSAF Investment LLC are deemed interested in the 50,751,948 shares registered in the name of Dubai Transport Company LLC by virtue of Section 4 of the Securities and Futures Act.

(5) HW is the sister of Mr. Kris Taenar Wiluan (Chairman and CEO of the Company).

(6) The deemed interests arise by virtue of (a) UBS Trustees (Bahamas) Limited ("**UBSTBL**"), UBS AG and UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in shares of the Company over which subsidiaries/affiliates of UBSTBL, UBS AG and UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire or dispose of shares.

(1) Save as disclosed in this Circular, none of the Directors and Substantial Shareholders has any interests, direct or indirect, in the Proposed Disposal and the Proposed Issuance of Consideration Shares to the Existing Bondholders other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

6. DIRECTORS' RECOMMENDATIONS

Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being the interested Directors (please refer to sections 1.6.1 and 1.6.2 of this Circular for further details), shall abstain from making any recommendation to Shareholders on the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares to the Existing Bondholders.

6.1 The Proposed Disposal

The Non-Interested Directors, having considered, inter alia, the terms of, rationale for and benefits of the Proposed Disposal, are of the opinion that the Proposed Disposal is in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 1 relating to the Proposed Disposal, as set out in the attached Notice of EGM.

6.2 The Proposed Issuance of Consideration Shares to the Existing Bondholders

The Non-Interested Directors, having considered, *inter alia*, the terms of, rationale for and benefits of the Proposed Issuance of Consideration Shares to the Existing Bondholders, are of the opinion that the Issuance of Consideration Shares to the Existing Bondholders is in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 2 relating to the Issuance of Consideration Shares to the Existing Bondholders, as set out in the attached Notice of EGM.

6.3 The Proposed Issuance of Consideration Shares to POEL as an interested person transaction

The Non-Interested Directors, having considered, *inter alia*, the terms of, rationale for and benefits of the Proposed Issuance of Consideration Shares to POEL, are of the opinion that the Proposed Issuance of Consideration Shares to POEL as an interested person transaction is in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 3 relating to the Proposed Issuance of Consideration Shares to POEL as an interested person transaction, as set out in the attached Notice of EGM.

6.4 The Proposed Issuance of Consideration Shares to HW as an interested person transaction

The Non-Interested Directors, having considered, *inter alia*, the terms of, rationale for and benefits of the Proposed Issuance of Consideration Shares to HW, are of the opinion that the Proposed Issuance of Consideration Shares to HW as an interested person transaction is in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 4 relating to the Proposed Issuance of Consideration Shares to HW as an interested person transaction, as set out in the attached Notice of EGM.

6.5 No Regard to Specific Objectives

Shareholders, in deciding whether to vote in favour of the ordinary resolutions relating to the Proposed Transactions, should read carefully the terms, rationale for and benefits of the Proposed Transactions. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As Shareholders would have different investment objectives, the Directors recommend that any Shareholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank, solicitor, accountant, tax adviser or other professional advisers.

7. EXTRAORDINARY GENERAL MEETING

The Board will be seeking specific approval from independent Shareholders at the EGM for the (i) Proposed Disposal; (ii) the Proposed Issuance of Consideration Shares to the Existing Bondholders in connection with the Proposed KSE Bond Purchase; (iii) the Proposed Issuance of Consideration Shares to POEL, as an interested person transaction; and (iv) the Proposed Issuance of Consideration Shares to HW as an interested person transaction.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 19 Jurong Port Road, Singapore 619093 not less than forty-eight (48) hours before the time fixed for holding the EGM. The completion and lodgement of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the EGM. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any Proxy Form.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquires that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Proposed Issuance of Consideration Shares to the Existing Bondholders and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources and/or reproduced in this Circular in its proper form and context.

10. CONSENT

Asian Corporate Advisors Pte. Ltd., as the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the summary valuation report, and all references thereto in the form and context in which they are included in this Circular.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 19 Jurong Port Road, Singapore 619093 during normal business hours from the date of this Circular up to and including the date of the EGM:

(a) the Constitution of the Company;

(b) the sale and purchase agreement between the Company and KSR;

(c) the sale and purchase agreement between the Company and ACH Distribution Pte. Ltd;

(d) the Participating Note;

(e) the Bond Purchase Agreements;

(f) the Subscription Agreement;

(g) the IFA Letter; and

(h) the letter of consent dated 3 April 2019 from the IFA.

Yours faithfully

For and on behalf of the Board of Directors of
KS ENERGY LIMITED

Soh Gim Teik
Director

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE NON-INTERESTED DIRECTORS OF KS ENERGY LIMITED

ASIAN CORPORATE ADVISORS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Non-Interested Directors (as hereinafter defined)
KS Energy Limited
19 Jurong Port Road
Singapore 619093

3 April 2019

(1) PROPOSED PURCHASE OF THE FIXED RATE SECURED BONDS DUE 2020 ("EXISTING KSE BONDS") HELD BY PACIFIC ONE ENERGY LIMITED ("POEL") AND MS. HEDY WILUAN ("HW") (THE "PROPOSED KSE BOND PURCHASE FROM THE EXISTING BONDHOLDERS"); AND

(2) PROPOSED ISSUANCE OF NEW ORDINARY SHARES IN THE CAPITAL OF KS ENERGY LIMITED (THE "COMPANY" OR "KS ENERGY") TO POEL AND HW AS CONSIDERATION IN CONNECTION WITH THE PROPOSED KSE BOND PURCHASE ("PROPOSED ISSUANCE OF CONSIDERATION SHARES") AS INTERESTED PERSON TRANSACTIONS ("IPTs")

(COLLECTIVELY, THE "PROPOSED TRANSACTIONS")

*Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 3 April 2019 (the "**Circular**").*

1. INTRODUCTION

On 9 November 2018 ("**Announcement Date**"), the Company announced ("**Announcement**") that it has on the same date entered into:-

(a) bond purchase agreements (the "**Bond Purchase Agreements**") with each of POEL and HW (collectively, the "**Existing Bondholders**", each an "**Existing Bondholder**"), pursuant to which an aggregate of S$31,000,000 in principal amount of Existing KSE Bonds outstanding as at the date of the Bond Purchase Agreements shall be purchased by the Company;

(b) a subscription agreement with the Existing Bondholders ("**Subscription Agreement**"), pursuant to which the Existing Bondholders will subscribe for, and the Company will allot and issue to the Existing Bondholders, an aggregate of 794,871,795 new ordinary shares in the capital of the Company ("**Consideration Shares**"). The Consideration Shares are issued to the Existing Bondholders as consideration for the payment of the Company for the purchase of the Existing KSE Bonds.

The completion of the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares are *inter-alia* conditional upon each other.

The Company and the Existing Bondholders, together with Oversea-Chinese Banking Corporation Limited ("**OCBC**") and TAEL One Partners Ltd ("**TAEL**") have on 26 May 2017, entered into a purchase agreement, which was amended and restated on 1 August 2017 by way of deed of amendment and restatement, and further amended and restated on or around 4 October 2017, in respect of the purchase by the Existing Bondholders, OCBC and TAEL of S$65,500,000 Existing KSE

Bonds to be issued by the Company (the "**Original Bond Purchase Agreement**"). The Company, the Existing Bondholders, OCBC and TAEL have subsequently entered into the First Supplemental Agreement to amend and supplement the Original Bond Purchase Agreement on 24 April 2018, the Second Supplemental Agreement to further amend and supplement Schedule 1 (Terms and Conditions of the Bonds) of the Original Bond Purchase Agreement on or around 9 July 2018 (collectively with the Original Bond Purchase Agreement, the "**Previous Bond Purchase Agreement**") and the Third Supplement Agreement to further amend and supplement the Previous Bond Purchase Agreement on or around 7 December 2018.

POEL was the legal and beneficial owner of S$18,500,000 in principal amount of the Existing KSE Bonds outstanding as at the date of the Bond Purchase Agreements. It is noted from the Circular that POEL subsequently purchased an additional S$3,000,000 in principal amount of Existing KSE Bonds from TAEL and is the legal and beneficial owner of an additional S$3,000,000 in principal amount of the Existing KSE Bonds as at the completion of the Proposed KSE Bond Purchase from the Existing Bondholders ("**Completion of KSE Bond Purchase**").

HW is the legal and beneficial owner of S$9,500,000 in principal amount of the Existing KSE Bonds outstanding as at the date of the Bond Purchase Agreements.

The Company entered into the Subscription Agreement with the Existing Bondholders in satisfaction of the consideration for the purchase price of S$31,000,000 for the Existing KSE Bonds ("**Purchase Price**") pursuant to the Bond Purchase Agreement, through the issuance and allotment of an aggregate of 794,871,795 Consideration Shares to the Existing Bondholders, at the issue price of S$0.039 ("**Issue Price**") for each Consideration Share.

We note from the Announcement that the Company has obtained the consent of the other holders of the Existing KSE Bonds and the holders of the Warrants in relation to the Proposed Transactions.

Mr. Kris Taenar Wiluan, the Chairman and Chief Executive Officer of the Company, directly owns 40.0% of the equity interests of POEL and Rija Holdings Limited owns 60.0% of the equity interests of POEL. One of the directors of Rija Holdings Limited is Mr. Richard James Wiluan, who is also an Executive Director of the Company. The other director of Rija Holdings Limited is Mrs. Elizabeth Amanda Wiluan (wife of Mr. Kris Taenar Wiluan and the mother of Mr. Richard James Wiluan). The shareholders of Rija Holdings Limited are Mr. Kris Taenar Wiluan who directly owns 70.0%. of the equity interests of Rija Holdings Limited and an investment holding company which directly owns 30.0% of the equity interests of Rija Holdings Limited. Mr. Kris Taenar Wiluan directly owns 100.0% of the equity interests of the investment holding company. As at 22 March 2019 (the "**Latest Practicable Date**"), by virtue of Section 4 of the Securities and Futures Act (Cap. 289) ("**SFA**"), they are deemed interested in 59.79% of the issued and paid up share capital of the Company and for the purposes of Chapter 9 of the Listing Manual ("**Listing Manual**" or "**Listing Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") are considered controlling shareholders of the Company ("**Controlling Shareholders**"). As Mr. Kris Taenar Wiluan directly holds more than 30.0% interest in POEL, POEL is an Associate (as defined in the Listing Manual) of both Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan. Accordingly, each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan are regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual. Based on the foregoing, the Proposed Issuance of Consideration Shares to POEL would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

In accordance with Rule 906(1)(a) and Rule 918 of Chapter 9 of the Listing Manual, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal or exceeds 5.0% of the Group's latest audited net tangible assets ("**Group's NTA**"), the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

With respect to the Proposed Issuance of Consideration Shares to POEL, the amount at risk to the Company is S$21,500,000 representing approximately 41.2% of the Group's NTA of S$52,205,000 as

at 31 December 2017. Accordingly, as the amount at risk is more than 5.0% of the Group's NTA, Shareholder's approval is required for the Proposed Issuance of Consideration Shares to POEL.

HW is the sister of Mr. Kris Taenar Wiluan. As Mr. Kris Taenar Wiluan is the Chairman, Chief Executive Officer and deemed Controlling Shareholder of the Company, HW is an Associate of Mr. Kris Taenar Wiluan. Accordingly, HW is regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual. Based on the foregoing, the Proposed Issuance of Consideration Shares to HW would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

With respect to the Proposed Issuance of Consideration Shares to HW, the amount at risk to the Company is S$9,500,000 representing approximately 18.2% of the Group NTA of S$52,205,000 as at 31 December 2017. Accordingly, as the amount at risk is more than 5.0% of the Group NTA, Shareholder's approval is required for the Proposed Issuance of Consideration Shares to HW.

We also note the following:-

(i) On 19 October 2018, the Company announced that it has on the same date entered into a bond purchase agreement with OCBC pursuant to which OCBC wishes to sell and the Company wishes to purchase S$30,000,000 in principal amount of Existing KSE Bonds outstanding from OCBC. The Company together with KS Resources Pte. Ltd. ("**KSR**") has also on the same date entered into a bond subscription agreement with OCBC ("**KSR Bond Subscription Agreement**") pursuant to which KSR shall issue and OCBC shall subscribe for an aggregate of S$35,000,000 fixed rate unsecured bonds due 2021 ("**KSR Bonds**"). The consideration for the purchase price of S$30,000,000 for the Existing KSE Bonds held by OCBC and consideration for payment by the Company in respect of S$5,000,000 Bridging Loan Facility shall be through a delivery by the Company of S$35,000,000 in aggregate principal amount of KSR Bonds, fully paid, to OCBC. On 11 December 2018, the Company announced that the Proposed KSE Bond Purchase from OCBC and the Proposed KSR Bonds Issuance were completed on 10 December 2018.

(ii) On 19 October 2018, the Company also announced that it had entered into a sale and purchase agreement with KSR to transfer all of the Company's 55.35% shareholding interest held in KS Distribution Pte. Ltd. ("**KS Distribution**") to KSR for a consideration of S$37,857,000 (the "**Internal Reorganisation of Subsidiaries**"), which was determined based on the book value of the shares of KS Distribution as at 30 June 2018, and shall be settled using the proceeds from a proposed new issue of debt securities by KSR. Following the Internal Reorganisation of Subsidiaries, the Company's entire 55.35% shareholding interest in KS Distribution is held by its wholly-owned subsidiary, KSR. In addition, on the same date, the Company had entered a sale and purchase agreement with ACH Distribution Pte. Ltd (the "**Purchaser**") on 19 October 2018 in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KSR ("**Sale Shares**", and KSR together with its subsidiaries collectively, the "**Target Group**") which holds 55.35% of KS Distribution for an aggregate cash consideration of S$1,643,000 (the "**Proposed Disposal**"). The Company had on the same day entered into an agreement with the Purchaser in relation to the payment of a contingent sum in the event certain thresholds and conditions are met ("**Participating Note**") in connection with the Proposed Disposal. Subsequently, the Company and the Purchaser had entered into (i) a supplemental deed on 30 November 2018 (the "Supplemental Deed") to extend the Long-Stop Date from 30 November 2018 to 31 December 2018 and (ii) a supplemental deed on 10 December 2018, to amend and supplement the Participating Note.

On 11 December 2018, the Company announced that the Internal Reorganisation of Subsidiaries was completed on 7 December 2018 and the Proposed Disposal was completed on 10 December 2018 and KSR has ceased to be a wholly-owned subsidiary of the Company.

The salient information of the Proposed Disposal is set out in Section 2 of the Circular.

(iii) On 7 December 2018, the Company has entered into a termination deed ("**Termination**

Deed") pursuant to which an aggregate of 65,500,000 non-listed bonus warrants carrying the right to subscribe for one (1) share each in the capital of the Company ("**Existing Warrants**"), which was issued in connection with the Original Bond Purchase Agreement and constituted by the deed poll dated 8 December 2017, with the holders of the Warrants, being POEL, HW, TAEL and OCBC shall be terminated ("**Termination of Existing Warrants**'). Following execution of the Termination Deed, all the 65,500,000 Existing Warrants shall be terminated, cancelled and of no further force or effect. Further, each of the holders of the Existing Warrants shall have no claims of any nature whatsoever against the Company as a result of the termination and cancellation of the Existing Warrants and they shall have no surviving right, title or interest in or to the Existing Warrants nor any shares purchaseable thereunder.

The information of the Internal Reorganisation of Subsidiaries of the Company and the restructuring of the Existing KSE Bonds are set out in Section 1.3 and 1.4 of the Circular respectively. We recommend Independent Shareholders read those pages of the Circular carefully.

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") pursuant to Rule 921 (4)(a) of the Listing Manual as well as to advise the directors of the Company ("**Directors**") who are deemed independent (the "**Non-Interested Directors**") in connection with the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs. We note from the Circular that the Non-Interested Directors comprise Mr. Samuel Paul Oliver Carew-Jones, Mr. Soh Gim Teik, Mr. Lawrence Stephen Basapa and Mr. Chew Choon Soo.

This letter ("**IFA Letter**" or "**Letter**") sets out, *inter-alia*, our views and evaluation of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs which have been proposed as ordinary resolutions in the notice of the extraordinary general meeting ("**EGM**") of the Company as set out in the Circular to registered holders ("**Shareholders**") of the shares in the capital of the Company ("**Shares**"). Likewise, it contains our recommendations to the Non-Interested Directors in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs, for determining whether the Issuance of Consideration Shares to the Existing Bondholders as IPTs pursuant to Rule 921 (4)(a) of the Listing Manual are on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders of the Company ("**Minority Shareholders**").

This Letter is prepared for inclusion in the Circular in connection with, *inter-alia*, the Proposed Transactions. Unless otherwise defined or where the context otherwise requires, the definition used in the Circular shall apply throughout this Letter. Certain figures and computations as enumerated or set out in this Letter are based on approximations and its accuracy is subject to rounding.

2. TERMS OF REFERENCE

ACA has been appointed by the Company pursuant to Rule 921 (4)(a) of the Listing Manual to advise the Non-Interested Directors in connection with the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs. We were neither a party to the negotiations entered into by the Company in relation to transactions contemplated in the Circular, *inter-alia,* the Proposed Transactions, nor were we involved in the deliberation leading up to the decision on the part of the Directors to enter into the Proposed Transactions, and we do not, by this Letter or otherwise, advise or form any judgment on the merits of the Proposed Transactions for the Company and its subsidiaries, (collectively the "**Group**") or the possibilities or feasibilities of the completion of the Proposed Transactions or the timing on when the Proposed Transactions can be completed or whether there are alternative transactions available other than to form an opinion, strictly and solely on the bases set out herein on whether the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs (pursuant to Chapter 9 of the SGX-ST Listing Manual) are on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.

We have confined our evaluation strictly and solely on the financial terms for the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs and have not taken into account the commercial/financial/operational/compliance/legal risks and/or merits (if any) of or the timing for the Proposed Transactions contemplated in the Circular including the structuring or inter-conditionality of the Proposed Transactions or the validity of any resolution or its feasibility. It is not within our scope to opine on the future financial performance or position of the Company or the Group subsequent to the

completion of the Proposed Transactions (including, *inter-alia,* the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs) or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions (including, *inter-alia,* the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs) can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs or the ability of the Group to service its borrowings (both principal and interest payment) when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the Proposed Transactions. Such evaluation or comment remains the responsibility of the Directors and the management ("**Management**") of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management regarding, *inter-alia*, their assessment of the rationale for the Proposed Transactions (including, *inter-alia,* the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs), and have examined publicly available information collated by us including the audited financial statements as well as information including material information or developments pertaining to the Company and the Group, where applicable (both written and verbal), provided to us by the Directors and Management or where applicable professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such reasonable enquiries and used our judgement as we deemed necessary on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the unaudited financial statements for the financial year ended 31 December 2018 ("**FY2018**") for the Group. The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group after the completion of the Proposed Transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Transactions (in part or in full) or voting for or voting against the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the plans (if any) for each of them. Estimates or analysis or evaluation of the merits of the Company or the Group or the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter-alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Non-Interested Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available

information and other information provided by the Company, the Directors, as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end or financial period for the Company or the Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Transactions and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors contained therein. The Directors have confirmed to ACA that all relevant material information including but not limited to plans or prospects or proposals or rationale involving the Company or the Group or the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and Management in connection with the Proposed Transactions has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material aspects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed or confirmations given by the Directors in the Circular or the IFA Letter to be untrue, inaccurate or incomplete in any material aspect or materially misleading.

Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group (including without limitation, plant and equipment and asset held for sale) or contracts entered into by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, plant and equipment and asset held for sale) including, *inter-alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

The Directors are of the opinion that the audited financial statements set out on pages 58 to 145 of the Company's annual report for the financial year ended 31 December 2017 ("**FY2017**") are drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the audited financial statements for FY2017 and the unaudited financial statements for FY2018 to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all material aspects and that there is no other information or fact *inter-alia* the valuation or appraisal of business, assets and liabilities including, *inter-alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information including our views or analysis or opinions or reliance of such statements or information to be materially untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the Company's announcements on the SGX-NET, the unaudited financial statements for the Group for FY2018 and the audited financial statements for the Group for FY2017, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and

constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Non-Interested Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter or the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs or the Company or the Group or the Shares or the Consideration Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Director or Non-Interested Director, and as such the Non-Interested Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs or its recommendation, following the date of the issue of this Letter.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purpose of their evaluation of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote from this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs and/or at the forthcoming EGM. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter-alia*, the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. PROPOSED KSE BOND PURCHASE FROM THE EXISTING BONDHOLDERS

The information of the Proposed KSE Bond Purchase from the Existing Bondholders is set out in Section 3.1 of the Circular and have been summarised below. We recommend Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

*"**3.1 Proposed KSE Bond Purchase from the Existing Bondholders***

*3.1.1 The Existing Bondholders wishes to sell, and the Company wishes to purchase S$21,500,000 in principal amount of the Existing KSE Bonds from POEL and S$9,500,000 in principal amount of the Existing KSE Bonds from HW for the payment by the Company of the Purchase Price through the issuance and allotment of 551,282,051 and 243,589,744 Consideration Shares at the issue price of S$0.039 per Consideration Share ("**Issue Price**").*

3.1.2 Pursuant to the Bond Purchase Agreements, the Existing KSE Bonds shall be purchased and cancelled by the Company.

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

***Shareholders should read and carefully consider the key information on the Proposed Issuance of Consideration Shares to the Existing Bondholders as set out in Section 3.2 to Section 3.9 of the Circular.**"*

4. PROPOSED ISSUANCE OF THE CONSIDERATION SHARES TO THE EXISTING BONDHOLDERS

The salient information of the Proposed Issuance of the Consideration Shares to the Existing Bondholders is set out in Section 3.2 to Section 3.9 of the Circular and have been summarised below. We recommend Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

*"**3.2 Proposed Issuance of Consideration Shares***

***3.2.1** Pursuant to the Subscription Agreement, each of the Existing Bondholders will subscribe for, and the Company will issue and allot Consideration Shares at the Issue Price in the following proportion:*

Existing Bondholder	***Number of Consideration Shares to be issued***	***As a percentage of the existing issued share capital of the Company as at the Latest Practicable Date (1)***	***As a percentage of the enlarged issued share capital of the Company (2)***
POEL	*551,282,051*	*106.92%*	*42.07%*
HW	*243,589,744*	*47.24%*	*18.59%*
Total	***794,871,795***	***154.16%***	***60.66%***

Note:

*(1) Based on existing issued share capital of 515,601,215 ordinary shares ("**Shares**") of the Company, excluding 8,639,000 treasury shares.*
(2) Based on the enlarged issued share capital of 1,310,473,010 Shares after the completion of the Proposed Issuance of Consideration Shares, excluding 8,639,000 treasury shares.

***3.2.2** The direct shareholding interests of the Existing Bondholders in the Company as at the Latest Practicable Date, and immediately after the issuance and allotment of the Consideration Shares are set out as follows:*

Existing Bondholder	***Number of Shares held as at the Latest Practicable Date***	***As a percentage of the existing issued share capital of the Company as at the Latest Practicable Date (1)***	***Number of Shares held immediately after issuance and allotment of the Consideration Shares***	***As a percentage of the enlarged issued share capital of the Company (2)***
POEL	*308,281,662*	*59.79%*	*859,563,713*	*65.59%*
HW	*0*	*-*	*243,589,744*	*18.59%*
Total	***308,281,662***	*59.79%*	***1,103,153,457***	***84.18%***

Note:

(1) Based on existing issued share capital of 515,601,215 Shares of the Company, excluding 8,639,000 treasury shares.
(2) Based on the enlarged issued share capital of 1,310,473,010 Shares after the completion of the Proposed Issuance of Consideration Shares, excluding 8,639,000 treasury shares.

3.2.3 Implications of POEL's controlling interest in the Company

Shareholders should note that POEL's interest in the Company will increase from approximately 59.79% to approximately 65.59% after completion of the Proposed Issuance of Consideration Shares to the Existing Bondholders. Thus, prior to the Proposed Issuance of Consideration Shares, POEL has already been in a position to exercise statutory control. The aggregate interest of POEL and HW in the Company will increase from approximately 63.78% to approximately 85.75% after completion of the Proposed Issuance of Consideration Shares to the Existing Bondholders.

SHAREHOLDERS SHOULD NOTE THAT THE SHAREHOLDINGS OF THE EXISTING INDEPENDENT SHAREHOLDERS WILL BE DILUTED FROM APPROXIMATELY 36.22% TO APPROXIMATELY 14.25%. THEREFORE, POEL AND HW WILL TOGETHER BE IN A POSITION TO EXERCISE SUPER MAJORITY CONTROL AS THEIR AGGREGATE SHAREHOLDING WILL EXCEED 75% UPON COMPLETION OF THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES. AS SUCH, THE EXISTING INDEPENDENT SHAREHOLDERS' ABILITY TO INFLUENCE THE OUTCOME OF ANY RESOLUTIONS TABLED IN A GENERAL MEETING WILL BE AFFECTED AFTER COMPLETION OF THE PROPOSED ISSUANCE OF THE CONSIDERATION SHARES.

Statutory control will put POEL in a position to be able to pass all ordinary resolutions on matters in which the POEL do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company, whilst super majority control will put the POEL and HW (in situations where they are both deemed as interested persons) in a position to be able to pass all ordinary and special resolutions on matters in which the POEL and HW do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company.

3.3 Information on the Existing Bondholders

Please refer to sections 1.7 and 1.8 of this Circular for further details on the Existing Bondholders.

3.4 Issue Price

*The Issue Price represents a premium of 8.3% to the volume weighted average price of S$0.036 for trades done on the Shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 31 October 2018 (being the last full market day preceding the date on which the Subscription Agreements were signed).*

3.5 The Consideration Shares

The Consideration Shares represent 154.2% of the existing share capital of the Company. Assuming completion of the Proposed Issuance of Consideration Shares and the issuance of 794,871,795 Consideration Shares, the Consideration Shares will represent 60.7% of the enlarged share capital of the Company of 1,310,473,010 Shares.

Shareholders should note that as at the Latest Practicable Date, in connection with the Bond Restructuring of the Existing KSE Bonds as well as the restructuring of liabilities with OCBC, the 65,500,000 outstanding unexercised Warrants issued by the Company have been terminated with effect from 7 December 2018. As announced on 7 December 2018, the Warrants shall be terminated with mutual consent pursuant to a termination deed (entered into by POEL, HW, TAEL and OCBC). The Board is of the view that termination of the Warrants is to streamline and rationalise the Company's existing capital structure in view of the Proposed KSE Transactions. For the avoidance of doubt, the termination of the Warrants is not a condition for the Bond Restructuring of the Existing KSE Bonds.

Whilst HW and POEL are concert parties pursuant to the definition under the Singapore Code of Take-overs and Mergers, Note 5 to Rule 14.1 of the Singapore Code of Take-overs and Mergers provides that where a group of persons acting in concert holds over 50% of the shares in the Company, no obligation normally arises by any member of the group, in relation to making a

mandatory general offer for the Shares under Rule 14 of the Singapore Code of Take-overs and Mergers. Please refer to Section 3.2.2 of this Circular setting out the direct shareholding interests of the Existing Bondholders in the Company.

*The Consideration Shares will be issued free from all claims, charges, liens and other encumbrances whatsoever and the Consideration Shares shall rank pari passu in all respects with and carry all rights similar to existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the completion of the Proposed Issuance of Consideration Shares ("**Completion of the Proposed Issuance of Consideration Shares**").*

3.6 Additional Listing Application

The Company will make an application to the SGX-ST for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST. An announcement will be made in due course to notify Shareholders when the Approval In-Principle for the listing of and quotation for the Consideration Shares from the SGX-ST is obtained.

3.7 Rules 804 and 812 of the Listing Manual

Rule 804 of the Listing Manual provides that, except in the case of an issue made on a pro rata basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Listing Manual, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities unless shareholders in general meeting have approved the specific allotment.

In addition, Rules 812(1) and (2) of the Listing Manual provides that, save where specific shareholder approval for such a placement has been obtained, an issue must not be placed to any of the following persons:

(a) an issuer's directors and substantial shareholders;

(b) immediate family members of the directors and substantial shareholders;

*(c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**")), associated companies and sister companies of the issuer's substantial shareholders;*

(d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10.0 per cent.; and

(e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d) above.

As at the Latest Practicable Date, POEL is a substantial shareholder that holds 308,281,662 Shares, representing 59.8 per cent. of the total Shares, POEL is a restricted place pursuant to Rule 812(1) of the Listing Manual. In addition, Mr. Kris Taenar and Mr. Richard James Wiluan, being Directors of the Company, hold more than 10.0 per cent. of the equity interests in POEL.

As HW is an immediate family member of Mr. Kris Taenar Wiluan, the Chairman, CEO and a controlling shareholder of the Company, HW is a restricted place pursuant to Rule 812(1) of the Listing Manual.

Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders' approvals for the issuance of the Consideration Shares to each of the Existing Bondholders are obtained.

Mr. Kris Taenar Wiluan, Mr. Richard Wiluan and their associates (including HW) will abstain from voting on the ordinary resolution relating to the Proposed Issuance of Consideration Shares.

3.8 Salient Terms of the Proposed Issuance of Consideration Shares

Completion of the Proposed Issuance of Consideration Shares is conditional upon: -

(a) the Company having received approval from the Board in respect of the Proposed Issuance of Consideration Shares;

(b) the approval in principle of the SGX-ST for the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST having been obtained from the SGX-ST (and such approval not having been withdrawn or revoked), and if such approval is granted subject to conditions, such conditions being reasonably acceptable to the Company and the Existing Bondholders, and to the extent that any conditions to such approval are required to be fulfilled on or before Completion, they are so fulfilled to the satisfaction of the SGX-ST or so waived by them;

(c) the allotment, issue and subscription of the Consideration Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Subscription Agreement by any applicable legislative, executive or regulatory body or authority of Singapore;

(d) there having been no occurrence of any event or discovery of any fact rendering any of the representations and warranties in the Subscription Agreement untrue or incorrect in any material respect as at completion as if they had been given again on the completion date;

(e) each party not being in breach of any of the undertakings and the covenants in this Agreement as at the Completion of the Proposed Issuance of Consideration Shares; and

(f) the Company and its representatives having disclosed publicly any material price-sensitive information (if any) that they have communicated to the Existing Bondholders and that has not been previously disclosed to the public.

The Existing Bondholders may, upon such terms as it thinks fit, waive compliance with the condition set forth in (d) (in respect of any breach by the Company) and such condition so waived shall be deemed to have been satisfied by the Company.

The Company may, upon such terms as it thinks fit, waive compliance with the condition set forth in (d) (in respect of any breach by the Existing Bondholders) and such condition so waived shall be deemed to have been satisfied by the Existing Bondholders.

If any of the conditions under Section 3.8 above are not satisfied or waived by 31 January 2019 (or such other date as may be mutually agreed between the parties), the Subscription Agreement shall terminate and the obligations of the parties pursuant to the Subscription Agreement shall cease and be of no further effect, and in such event neither party shall have any claim against the other for costs, expenses, damages, losses, compensation or otherwise in respect of the Proposed Issuance of Consideration Shares, save for any antecedent breach of the terms of the Subscription Agreement or the parties' respective liability for the payment of costs and expenses in accordance with the terms of the Subscription Agreement. As previously announced, the Company wishes to update that the long-stop date of 31 January 2019 has been extended to 30 April 2019, by way of entry into a supplemental deed with the Existing Bondholders.

3.9 Moratorium

The Existing Bondholders irrevocably and unconditionally undertakes not to, directly or indirectly:

(a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, hypothecate, grant security over, encumber, transfer or otherwise dispose of, any of or any interest in, the Consideration Shares;

(b) enter into any swap, hedge, or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Consideration Shares;

(c) enter into any transaction (including a derivative transaction) or other arrangement with a similar economic effect to the foregoing sub-paragraph (a) or (b);

(d) deposit any of the Consideration Shares in any depository receipt facility;

(e) enter into a transaction which is designed or which may reasonably be expected to result in any of the above; or

(f) publicly announce any intention to do any of the above,

for three (3) calendar months from the date of listing of the Consideration Shares on the SGX-ST."

5. PROPOSED ISSUANCE OF CONSIDERATION SHARES AS AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

Mr. Kris Taenar Wiluan, the Chairman and Chief Executive Officer of the Company, directly owns 40.0% of the equity interests of POEL and Rija Holdings Limited owns 60.0% of the equity interests of POEL. One of the directors of Rija Holdings Limited is Mr. Richard James Wiluan, who is also an Executive Director of the Company. The other director of Rija Holdings Limited is Mrs. Elizabeth Amanda Wiluan (wife of Mr. Kris Taenar Wiluan and the mother of Mr. Richard James Wiluan). The shareholders of Rija Holdings Limited are Mr. Kris Taenar Wiluan who directly owns 70.0% of the equity interests of Rija Holdings Limited and an investment holding company which directly owns 30.0% of the equity interests of Rija Holdings Limited. Mr. Kris Taenar Wiluan directly owns 100.0% of the equity interests of the investment holding company. As at the date of this announcement, by virtue of Section 4 of the Securities and Futures Act (Cap. 289), they are deemed interested in 59.79% of the issued and paid up share capital of the Company and for the purposes of Chapter 9 of the Listing Manual are considered controlling shareholders. As Mr Kris Taenar Wiluan directly holds more than 30.0% interest in POEL, POEL is an Associate of both Mr Kris Taenar Wiluan and Mr Richard James Wiluan. Accordingly, each of POEL, Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual. Based on the foregoing, the Proposed Issuance of Consideration Shares to POEL would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

In accordance with Rule 906(1)(a) and Rule 918 of Chapter 9 of the Listing Manual, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal or exceeds 5.0% of the Group's NTA, the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be. With respect to the Proposed Issuance of Consideration Shares to POEL, the amount at risk to the Company is S$21,500,000 representing approximately 41.2% of the Group's NTA of S$52,205,000 as at 31 December 2017. Accordingly, as the amount at risk is more than 5.0% of the Group's NTA, Shareholder's approval is required for the Proposed Issuance of Consideration Shares to POEL.

HW is the sister of Mr. Kris Taenar Wiluan. As Mr Kris Taenar Wiluan is the Chairman, Chief Executive Officer and deemed Controlling Shareholder of the Company, HW is an Associate of Mr. Kris Taenar Wiluan. Accordingly, HW is regarded as an "interested person" within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an "entity at risk" within the meaning of Chapter 9 of the Listing Manual. Based on the foregoing, the Proposed Issuance of Consideration Shares to HW would constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

With respect to the Proposed Issuance of Consideration Shares to HW, the amount at risk to the Company is S$9,500,000 representing approximately 18.2% of the Group NTA of S$52,205,000 as at 31 December 2017. Accordingly, as the amount at risk is more than 5.0% of the Group's NTA, Shareholder's approval is required for the Proposed Issuance of Consideration Shares to HW.

The Group has the following interested person transactions for the full financial year ended 31 December 2018:

Name of interested person	Particulars of interested person transactions	Aggregate value of all IPTs for the financial year ended 31 December 2018 (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 for the financial year ended 31 December 2018 (excluding transactions less than $100,000)
PT KS Drilling Indonesia ("**KSDI**") and its subsidiaries ("**KSDI Group**") [(2)]	Expected additional interest income on Financing [(2)] (defined later)	-	S$3,562,231
	Extension of outstanding principal and interest due on the Additional Loan [(1)] (defined later)	S$2,544,497	-
	Expected additional interest income on the Additional Loan [(1)] (defined later)	S$56,526	-

Notes:

*(1) On 22 January 2016, PT Java Star Rig ("**PT JSR**", a subsidiary of KSDI) 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 Pte. Ltd. ("**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 outstanding as at 31 December 2018 was US$0.5 million. The Company released an update announcement dated 21 June 2018.*

*(2) With reference to the IPT Mandate approved by shareholders at the extraordinary general meeting held on 7 December 2012 and the circular dated 22 November 2012, which was reapproved by shareholders at the annual general meeting held on 26 April 2018, 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 KSDI. The shareholder loans provided under such Financing by 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 31 December 2018 was US$37.8 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$37.8 million balance is US$0.09 million that was advanced during the financial year ended to 31 December 2018.*

Save for the above, there are no present and ongoing interested person transactions entered into between the Group and each of HW, POEL, Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan for the financial year ended 31 December 2018 that need to be aggregated with the value of the transactions under the Proposed Issuance of Consideration Shares to each of the Existing Bondholders pursuant to Rule 906 of the Listing Manual. Pursuant to Rule 905(3) of the Listing Manual, there have been no additional interested person transactions amounting to above S$100,000 for the period from 1 January 2019 to the Latest Practicable Date. Save as disclosed, there are no present and ongoing interested person transactions entered into between the Group and each of HW, POEL, Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan for the period from 1 January 2019 to the Latest Practicable Date.

As set out in Section 4.5 of the Circular, the total value of Interested Person Transactions for the Group are as follow:-

(a) The total value of all interested person transactions entered into by the Company with POEL, including transactions which are less than S$100,000 and the Proposed Issuance of Consideration Shares to POEL, for the financial year ended 31 December 2018 is S$21,539,315, representing approximately 41.3% of the Group's NTA as at 31 December 2017;

(b) The total value of all interested person transactions entered into by the Company with HW, including transactions which are less than S$100,000 and the Proposed Issuance of Consideration Shares to HW, for the financial year ended 31 December 2018 is S$9,500,000, representing approximately 18.2% of the Group's NTA as at 31 December 2017; and

(c) The total value of all interested person transactions entered into by the Company, including transactions which are less than S$100,000, the Proposed Issuance of Consideration Shares to both the Existing Bondholders, for the financial year ended 31 December 2018 is S$33,801,670, representing approximately 64.7% of the Group's NTA as at 31 December 2017.

6. EVALUATION OF THE PROPOSED ISSUANCE OF CONSIDERATION SHARES TO THE EXISTING BONDHOLDERS AS INTERESTED PERSON TRANSACTIONS

For the purposes of evaluating the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:

(i) Rationale and benefits of the Proposed Issuance of Consideration Shares to the Existing Bondholders;

(ii) Financial performance and position of the Group;

(iii) Assessment of the cancellation of the Existing Warrants and the yield-to-maturity ("**YTM**") for the Proposed KSE Bond Purchase;

(iv) Assessment of the Proposed Issuance of Consideration Shares;

(v) Financial effects of the Proposed Transactions; and

(vi) Other relevant considerations which have significant bearing on our assessment.

These factors are discussed in greater detail in the ensuing paragraphs.

In our assessment of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs, we have applied certain valuation ratios in assessing the reasonableness of the Issue Price for the Proposed Issuance of Consideration Shares. A brief description of such valuation ratios are as follows:–

(i)	**EV/EBITDA**	**"EV"** or **"Enterprise Value"** is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. **"EBITDA"** stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items. The **"EV/EBITDA"** multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
(ii)	**Price-to-Earnings ("PER")**	The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's

shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.

(iii) **Price-to-NTA ("P/NTA")** The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its net tangible asset backing as measured in terms of its NTA value. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV ("P/NAV")** The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

6.1. Rationale and benefits of the Proposed Issuance of Consideration Shares to the Existing Bondholders

The rationale and benefits of the Proposed Issuance of Consideration Shares to the Existing Bondholders have been extracted from Section 3.10 of the Circular and are set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

*"**3.10 Rationale of the Proposed Issuance of Consideration Shares to the Existing Bondholders***

The rationale of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholdersis to reduce the debt burden of the Group, eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group, provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow. As such, having considered the terms and benefits of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders, the Board is of the view that the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is in the best interests of the Company."

6.2. Financial performance and position of the Group

(a) Financial performance and position of the Group

Review of financial performance of the Group

The following are extracts from the audited consolidated financial statements of the Group for FY2016 and FY2017 and the unaudited financial statements of the Group for FY2018:-

Figures are in S$'000	Unaudited FY2018	Audited FY2017	Audited FY2016
Revenue	51,449	47,144	35,091
Cost of sales	(69,565)	(66,665)	(64,300)
Gross loss	(18,116)	(19,521)	(29,209)
Total operating expenses	(13,896)	(28,113)	(75,779)
Other income	106	1,494	554
Share of results of joint venture	(9,226)	16,436	(10,138)
Finance income	2,738	23,292	5,804
Finance cost	(18,916)	(18,771)	(16,815)
Loss before tax	(57,310)	(25,183)	(125,583)
Loss after tax	(53,792)	(24,559)	(126,318)
Loss after tax attributable to owners of the Company	(42,033)	(18,295)	(107,487)
Adjusted Net Loss [(1)]	(54,470)	(20,525)	(120,391)

Note:

*(1) In view of the Proposed Disposal, we have adjusted the Group's loss after tax ("**Adjusted Net Loss**") by excluding the share of results of KS Distribution and its subsidiaries ("**KS Distribution Group**") and the write back and/or impairment for investment in KS Distribution.*

FY2018 vs FY2017

The Group recorded consolidated revenue of approximately S$51.4 million in FY2018 as compared to approximately S$47.1 million in FY2017. The increase in revenue was mainly due to higher revenue from the drilling business (being provision of drilling and rig management services to the oil and gas industry "**Drilling Business**"). Revenue from the Drilling Business increased from approximately S$46.5 million in FY2017 to approximately S$50.6 million in FY2018 (accounted for 98.4% of Group's consolidated revenue in FY2018) due to higher fleet utilisation following the award of charter contracts. Similarly, revenue from the engineering business (being engineering design and project management services, as well as other oil and gas related services, "**Engineering Business**") rose from approximately S$0.6 million in FY2017 to approximately S$0.8 million in FY2018 due to projects delivered in the second and third quarters of FY2018.

The Group reported gross loss of approximately S$18.1 million for FY2018, which was 7.2% lower as compared to the gross loss of approximately S$19.5 million reported for FY2017. The smaller gross loss in FY2018 occurred due to an increase of approximately S$2.9 million in cost of sales which is smaller than an increase of approximately S$4.3 million in revenue. Cost of sales includes cost of goods sold, cost of services provided, and certain fixed costs associated with the Group's fleet of rigs such as depreciation charges which increased from approximately S$26.9 million in FY2017 to approximately S$29.3 million in FY2018 (due mainly to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture).

The Group recorded other income of approximately S$0.1 million in FY2018 as compared to approximately S$1.5 million in FY2017. Other income mainly comprised foreign exchange gains and other income not directly related to the revenue generated from the Group's day-to-day operations. Other income in FY2018 was substantially lower than other income in FY2017 due to absence of the foreign exchange gains.

The Group's total operating expenses (comprising administrative expenses and other operating expenses) amounted to approximately S$13.9 million in FY2018 as compared to approximately

S$28.1 million in FY2017. Administrative expenses declined from approximately S$18.6 million in FY2017 to approximately S$17.5 million in FY2018 mainly due to reduced legal and professional costs and staff costs. The Group recorded other operating expenses of approximately S$9.5 million in FY2017 comprising mainly impairment loss on loans to a joint venture of approximately S$12.4 million, loss on disposal of plant and equipment of approximately S$3.1 million, and write-down of assets held for sale of approximately S$1.8 million, which was partially offset by write-back of impairment loss on investment in joint venture of approximately S$10.0 million. The Group recorded other operating income (net) of approximately S$3.6 million in FY2018 and this was mainly due to the write-back of impairment loss on investment in a joint venture of approximately S$9.9 million which was partially offset mainly by loss on disposal of plant and equipment of approximately S$2.0 million, impairment loss on plant and equipment of approximately S$1.8 million and foreign exchange loss of approximately S$1.8 million.

Finance income decreased from approximately S$23.3 million in FY2017 to approximately S$2.7 million in FY2018. The finance income included gain on redemption of secured bonds of approximately S$2.6 million and gain on redemption of convertible bonds of approximately S$17.1 million for FY2018 and FY2017 respectively. The remaining finance income of approximately S$6.2 million in FY2017 was mainly derived from interest income on loans provided to a joint venture and has decreased due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture. Finance costs increased from approximately S$18.8 million in FY2017 to approximately S$18.9 million in FY2018 due to higher overall interest rates.

The Group's share of results from joint ventures was a profit approximately S$16.4 million for FY2017 as compared to the loss of approximately S$9.2 million reported for FY2018. The losses recorded in FY2018 are due to losses recorded by the Distribution Business. The Group's share of results from KS Distribution Group improved from a loss of approximately S$14.0 million for FY2017 to loss of approximately S$9.2 million for FY2018. In FY2017, the Group recorded a one-time gain of approximately S$20.5 million recorded by PT Java Star Rig following a court ruling that the import duty had been previously overpaid and a gain of approximately S$9.9 million following the release of provisions for losses from a rig-owning joint venture.

The Group's loss before tax had increased from approximately S$25.2 million for FY2017 to approximately S$57.3 million for FY2018. The Group's loss after tax attributable to the owners of the Company amounted to approximately S$42.0 million for FY2018, which was 129.8% higher than the loss after tax attributable to the owners of the Company of approximately S$18.3 million for FY2017.

For illustrative purpose only and in view of the completion of the Proposed Disposal on 10 December 2018, in the event the share of results of KS Distribution Group of approximately negative S$9.2 million and write back for investment in KS Distribution Group of approximately S$9.9 million are excluded, the Group would have recorded Adjusted Net Loss of approximately S$54.5 million in FY2018 (FY2017: Adjusted Net Loss of approximately S$20.5 million after exclusion of the share of results of KS Distribution Group of approximately negative S$14.0 million and write back for investment in KS Distribution Group of approximately S$10.0 million).

FY2017 vs FY2016

The Group recorded consolidated revenue of approximately S$47.1 million in FY2017 as compared to approximately S$35.1 million in FY2016. The increase in revenue was mainly due to higher contribution from the Drilling Business following the award of charter contracts in early FY2017. Revenue from the Drilling business increased sharply from approximately S$27.0 million in FY2016 to approximately S$46.5 million in FY2017. Revenue contribution from Drilling business accounted for approximately 98.8% of the Group's consolidated revenue for FY2017. Meanwhile, the revenue from the Engineering business declined from approximately S$8.1 million in FY2016 to approximately S$0.6 million in FY2017 due to completion of projects during FY2016 and a lack of new project awards in FY2017. Revenue contribution from the Engineering business was approximately 1.2% of the Group's consolidated revenue for FY2017.

The Group reported gross loss of approximately S$19.5 million for FY2017, which was 33.2% lower as compared to the gross loss of approximately S$29.2 million reported for FY2016. The smaller gross loss in FY2017 occurred due to an increase of approximately S$2.4 million in cost of sales

which is lower than an increase of approximately S$12.0 million in revenue. Cost of sales includes cost of goods sold, cost of services provided, and certain fixed costs associated with the Group's fleet of rigs such as depreciation which decreased from approximately S$31.2 million in FY2016 to approximately S$26.9 million in FY2017 (due to disposal of plant and equipment in FY2016).

The Group recorded other income of approximately S$1.5 million in FY2017 as compared to approximately S$0.6 million in FY2016. The increase of other income is mainly due to higher foreign exchange gains.

The Group's total operating expenses (comprising administrative expenses and other operating expenses) amounted to approximately S$28.1 million in FY2017 as compared to approximately S$75.8 million in FY2016. Administrative expenses declined from approximately S$19.4 million in FY2016 to approximately S$18.6 million in FY2017 mainly due to reduced staff costs. Other operating expenses decreased substantially from approximately S$56.4 million in FY2016 to approximately S$9.5 million in FY2017. The substantial decline in the other operating expenses in FY2017 was due to decrease of approximately S$15.0 million in impairment losses on receivables and loans to a joint venture, a decrease of approximately S$11.3 million in impairment losses on plant and equipment, a decrease of approximately S$10.5 million in losses on the disposal of plant and equipment, a decrease of approximately S$2.2 million in foreign exchange losses, and an increase of write backs of impairment losses on joint ventures of approximately S$5.8 million.

Finance income increased from approximately S$5.8 million in FY2016 to approximately S$23.3 million in FY2017, mainly due to approximately S$17.1 million gain on redemption of convertible bonds recorded in FY2017, with the remainder of finance income derived from interest income on loans provided to a joint venture and additional loans provided in FY2016. Finance costs increased from approximately S$16.8 million in FY2016 to approximately S$18.8 million in FY2017. The increase in finance costs in FY2017 was mainly due to higher overall interest rates on higher average borrowings in FY2017.

The Group's share of results from joint ventures was a profit of approximately S$16.4 million for FY2017 as compared to the loss of approximately S$10.1 million reported for FY2016. The improvement in FY2017 was mainly due to approximately S$30.4 million gain recorded in FY2017 following a court ruling. The Group's share of results from KS Distribution was approximately negative S$10.1 million and negative S$14.0 million for FY2016 and FY2017, respectively.

The Group's loss before tax decreased by approximately S$100.4 million from approximately S$125.6 million for FY2016 to approximately S$25.2 million for FY2017. The Group's loss after tax attributable to the owners of the Company amounted to approximately S$18.3 million for FY2017, which was 83.0% smaller than the loss after tax attributable to the owners of the Company of approximately S$107.5 million for FY2016.

For illustrative purpose only and in view of the completion of the Proposed Disposal on 10 December 2018, in the event the share of results of KS Distribution Group of approximately negative S$14.0 million and write back for investment in KS Distribution Group of approximately S$10.0 million are excluded, the Group would have recorded Adjusted Net Loss of approximately S$20.5 million in FY2017 (FY2016: Adjusted Net Loss of approximately S$120.4 million after exclusion of the share of results of KS Distribution Group of approximately negative S$10.1 million and write back for investment in KS Distribution Group of approximately S$4.2 million).

Review of financial position of the Group

Figures are in S$'000	Unaudited FY2018	Audited FY2017 (Restated)	Audited FY2016
Non-current assets	389,722	454,109	529,416
Current assets	23,892	42,290	36,671
Non-current liabilities	370,235	399,337	354,172
Current liabilities	42,226	44,740	124,868
Total borrowings (including bank overdraft)	383,790	408,063	432,102
Shareholders' equity attributable to the owners of the Company	(10,296)	30,527	56,976
Total borrowings/shareholders' equity (times)	negative	13.4	7.6
Net working capital	(18,334)	(2,450)	(88,197)

FY2018 vs FY2017

Assets

The Group's total non-current assets decreased from approximately S$454.1 million as at 31 December 2017 to approximately S$389.7 million as at 31 December 2018. Non-current assets mainly comprised plant and equipment the Drilling Business. The carrying value of the rig fleet increased from approximately S$322.5 million as at 31 December 2017 to approximately S$323.9 million as at 31 December 2018, due to KSDI being consolidated as subsidiary instead of being equity-accounted as joint venture, purchase of plant and equipment and foreign exchange impacts, offset by depreciation charges, impairment loss and disposal of plant and equipment. There was a corresponding decrease in non-current amount due from joint ventures from approximately S$27.5 million as at 31 December 2017 to nil as at 31 December 2018. The carrying value of joint ventures decreased from approximately S$38.7 million as at 31 December 2017 to nil as at 31 December 2018 mainly due to the disposal of all the Group's shareholding in KS Distribution.

Total current assets decreased from approximately S$42.3 million as at 31 December 2017 to approximately S$23.9 million as at 31 December 2018. The decrease in current assets was mainly due to lower trade receivables, amounts due from joint ventures, other assets and offset by higher amount of cash and cash equivalents. Cash and cash equivalents increased from approximately S$8.5 million as at 31 December 2017 to approximately S$15.6 million as at 31 December 2018. Other assets decreased from approximately S$13.1 million as at 31 December 2017 to approximately S$5.0 million as at 31 December 2018. Trade receivables decreased from approximately S$11.5 million as at 31 December 2017 to approximately S$3.0 million as at 31 December 2018 due to collections from customers and lower activity levels before the year-end. Current amount due from joint ventures decreased from approximately S$8.3 million as at 31 December 2017 to nil as at 31 December 2018 also due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

The decrease in other current assets was mainly due to lower amounts of deferred operating expenses, value-added tax receivable, advanced payment to supplier, other debtors, withholding tax recoverable, sundry deposits and prepayments as at 31 December 2018 compared to 31 December 2017. These balances mainly originate from the Drilling Business and are routine in nature.

Liabilities

The Group's total liabilities decreased from approximately S$444.1 million as at 31 December 2017 to S$412.5 million as at 31 December 2018. This was principally attributable to approximately S$27.8 million decrease in borrowings, and approximately S$4.8 million decrease in provision for taxes, and approximately S$3.4 million decrease in trade and other payables, offset by approximately S$3.5

million increase in bank overdraft. Borrowings decreased from approximately S$408.1 million as at 31 December 2017 to approximately S$380.3 million (excluding bank overdraft of approximately S$3.5 million) as at 31 December 2018 due to foreign exchange impacts, as most of the secured bank loans are denominated in a foreign currency, together with approximately S$5.6 million decrease due to loan repayments, approximately S$2.3 million decrease due to the waiver of the redemption premium on the repurchased secured bonds and divestment of S$35.0 million KSR Bonds.

As at 31 December 2018, the Group's net working capital was in negative of approximately S$18.3 million, as compared to a negative net working capital of approximately S$2.5 million as at 31 December 2017. The Group's gearing ratio as at 31 December 2018 is negative and not meaningful due to negative equity attributable to the owners of the Company of S$10.3 million, as compared with gearing ratio of approximately 13.4 times as at 31 December 2017.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the Company's announcements on the SGX-NET, the unaudited financial statements for the Group for FY2018 and the audited financial statements for the Group for FY2017, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

FY2017 vs FY2016

Assets

The Group's total non-current assets decreased from approximately S$529.4 million as at 31 December 2016 to approximately S$454.1 million as at 31 December 2017. Non-current assets mainly comprised plant and equipment of the Drilling Business. The carrying value of the rig fleet decreased from approximately S$376.4 million as at 31 December 2016 to approximately S$322.5 million as at 31 December 2017, due to depreciation charges, disposals and foreign exchange impacts. The carrying value of joint ventures decreased from approximately S$42.8 million as at 31 December 2016 to approximately S$38.7 million as at 31 December 2017 mainly due to the Group's share of results from the joint ventures (comprising the 55.35% equity interest in the KS Distribution Group, with a carrying amount of approximately S$38.7 million as at 31 December 2017). Within non-current assets, amounts due from joint ventures decreased from approximately S$35.7 million as at 31 December 2016 to approximately S$27.5 million as at 31 December 2017.

Total current assets increased from approximately S$36.7 million as at 31 December 2016 to approximately S$42.3 million as at 31 December 2017. The increase in current assets was mainly due to higher amounts due from joint ventures and trade receivables, offset by lower other assets. Amounts due from joint ventures increased from approximately S$1 thousand as at 31 December 2016 to approximately S$8.3 million as at 31 December 2017 due to re-classification from non-current assets. Cash and cash equivalents decreased from approximately S$8.8 million as at 31 December 2016 to approximately S$8.5 million as at 31 December 2017. Other assets decreased from approximately S$16.8 million as at 31 December 2016 to approximately S$13.1 million as at 31 December 2017. Trade receivables increased from approximately S$8.3 million as at 31 December 2016 to approximately S$11.5 million as at 31 December 2017 due to the higher revenue following the commencement of charter contracts. The carrying value of assets held for sale as at 31 December 2017 was approximately S$0.7 million (31 December 2016: S$2.6 million) and relates to a drilling rig which is currently being marketed for sale.

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

Liabilities

The Group's total liabilities decreased from approximately S$479.0 million as at 31 December 2016 to approximately S$444.1 million as at 31 December 2017. This was principally attributable to approximately S$20.6 million decrease in financial liabilities from approximately S$428.7 million as at

31 December 2016 to approximately S$408.1 million as at 31 December 2017. Within current liabilities, amounts due to joint ventures increased from approximately S$44 thousand as at 31 December 2016 to approximately S$78 thousand as at 31 December 2017.

As at 31 December 2017, the Group's net working capital was in the negative of approximately S$2.5 million, as compared to a negative net working capital of approximately S$88.2 million as at 31 December 2016. The Group's gearing ratio increased from approximately 7.6 times as at 31 December 2016 to approximately 13.4 times as at 31 December 2017, which was attributed to lower equity attributable to the owners of the Company (declined from approximately S$57.0 million as at the end of FY2016 to approximately S$30.5 million as at the end of FY2017 due to the loss incurred in FY2017).

Recent contracts secured and announced

On 21 December 2018, the Company announced that its subsidiary, KS Drilling, has been awarded a contract with expected value of approximately US$2.6 million for the *KS Java Star 2* jack-up drilling rig (for work in Vietnam and is expected to commence work before the end of 2018). On 22 February 2019, the Company announced that contract extension for the *KS Java Star 2* jack-up drilling rig has been awarded and the expected value of the firm contract extension is approximately US$6.7 million. The Directors confirmed and represented that the contract and the contract extension are not expected to have any material effect on the earnings per share and NTA per share of the Company for the financial year ending 31 December 2019.

(b) Capital base and debt burden

We set out below summarised extracts of the financial position relating to the capital base and debt burden of the Group for FY2018, FY2017, and FY2016:-

Figures are in S$'000	**Unaudited FY2018**	**Audited FY2017 (Restated)**	**Audited FY2016**
Shareholders' equity [(1)]	(10,296)	30,527	56,976
Borrowings [(2)]			
Current portion – External (including bank overdraft)	15,169	9,336	88,978
Non-current portion – External	368,621	398,727	343,124
Total borrowings (including bank overdraft) [(3)]	383,790	408,063	432,102
Total liabilities [(4)]	412,461	444,077	479,040
Cash and cash equivalent [(5)]	15,606	8,455	8,754
Total borrowings (net of cash)	368,184	399,608	423,348
Gearing ratio [(6)] (times)	negative	13.4	7.6
Net gearing ratio [(7)] (times)	negative	13.1	7.4
Total liabilities/Shareholders' equity (times)	negative	14.5	8.4

Notes:

(1) Shareholders' equity is defined as the aggregate of issued and paid-up capital, and reserves comprising capital reserves, currency translation reserve, general reserve, asset revaluation reserve and retained earnings of the Group before minority interest.

(2) Borrowings includes bank overdraft, bills payable, secured and unsecured bank loans, convertible bonds, and short term borrowings from a shareholder.

(3) Total borrowing is defined as borrowings from banks and financial institutions, trust receipts and finance lease liabilities.

(4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities, if any.

(5) Including deposits pledged of approximately S$2.1 million, S$1.7 million, and S$2.9 million as at end of FY2018, FY2017 and FY2016 respectively.

(6) Gearing ratio is defined as the ratio of total borrowings to shareholders' equity while leverage ratio is defined as the ratio of total liabilities to Shareholders' equity.

(7) Net gearing ratio is defined as the ratio of total borrowings net of cash and cash equivalent to shareholders' equity.

(8) All discrepancies in the figures included herein between the listed and total amounts thereof are due to rounding.

We wish to highlight that the Group's net gearing ratio had increased significantly from approximately 7.4 times as at the end of FY2016 to approximately 13.1 times as at the end of FY2017. In addition, the ratio of total liabilities to shareholders' equity for the Group had increased significantly from approximately 8.4 times as at the end of FY2016 and approximately 14.5 times as at the end of FY2017. The Group recorded negative shareholders' equity of approximately S$10.3 million as at the end of FY2018, hence, the Group's net gearing ratio and the ratio of total liabilities to shareholders' equity are negative and not meaningful for FY2018.

As mentioned earlier, the deteriorated financial position of the Group was mainly attributable to the decline in its shareholders' equity (due mainly to the consecutive losses incurred during the period reviewed), as well as the fact that notwithstanding the reduction, but the Group's total borrowing remained substantial during FY2016 to FY2018.

The table below illustrates the breakdown of the Group's total borrowings and shareholders' equity as at 31 December 2018 and assuming completion of the Proposed KSE Bonds Purchase the Existing Bondholders and the Proposed Issuance of Consideration Shares.

(Figures are in S$'000)[(1)]	**As at 31 December 2018**	**Assuming completion of the Proposed KSE Bonds Purchase from the Existing Bondholders, and the Proposed Issuance of Consideration Shares**
Current portion		
Bank overdraft	3,520	3,520
Secured bank loans	3,199	3,199
Unsecured bank loans	8,315	8,315
Related party loans	135	135
	15,169	**15,169**
Non-current portion		
Secured bank loans	326,128	326,128
Unsecured bank loans	4,272	4,272
Existing KSE Bonds	38,221	4,845
	368,621	**335,245**
Total borrowings	**383,790**	**350,414**
Shareholders' equity	**(10,296)**	**23,080**
Gearing ratio (times)	**Negative**	**15.2**

Notes:

(1) Figures were provided and confirmed by the Management.

We note that as represented and confirmed by the Management, following completion of the Proposed KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the Group's total borrowings would be reduced from approximately S$383.8 million as at 31 December 2018 to approximately S$350.4 million, on a pro-forma basis. The Management represented and confirmed that following completion of the Proposed KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the shareholders' equity of the Group would improve from approximately negative S$10.3 million as at 31 December 2018 to approximately positive S$23.1 million, on a pro-forma basis. As such, the gearing of the Group would be approximately 15.2 times, on a pro-forma basis.

Lastly, we note from the results announcement for the unaudited financial statements for FY2018 that the Group has capital commitments of approximately S$258.1 million and S$230.8 million for asset under construction. The Directors represented and confirmed that the Group continues to engage in discussions with the shipyards and, subject to obtaining the required financing, is expected to have sufficient resources to meet the capital commitments of the Group plans to seek the necessary financing subject to successful negotiation of financing.

(c) Material uncertainty related to going concern

We note that the Independent Auditors' Report dated 29 March 2018 ("**Independent Auditors' Report**") on the Group's and Company's financial statements for FY2017 contained a statement on material uncertainty related to going concern. The following paragraphs as set out in italics below are extracted from the Independent Auditors' Report (pages 51 to 52 of the AR2017) and note 2.1 to the audited financial statements of the Group for FY2017. We recommend that Non-Interested Directors advise Shareholders to read this section of the AR2017 carefully:-

"Material uncertainty related to going concern

We draw attention to:

Note 2.1 to the financial statements which indicates that the Group incurred a net loss of $24,559,000 during the year ended 31 December 2017 and, as of that date, the Group's and the Company's current liabilities exceed current assets by $2,450,000 and $19,706,000 respectively; and

Note 30 to the financial statements which indicates that the Group has a capital commitment of $253,014,000 for an asset under construction due for delivery on 31 December 2018.

As explained therein, the financial statements have been prepared on a going concern basis, the validity of which is premised on the favourable resolution of the following:

(i) The ability to secure a short term loan of $5,500,000 from a financial institution, so as to meet the debt obligations due within the next twelve months; and

(j) The Group's ability to complete the financing arrangement for the capital obligation of $253,014,000 for an asset under construction due for delivery (the new build contract) on 31 December 2018.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern if the fund raising plans as mentioned above were not timely executed to meet the Group's debt obligations as and when they fall due.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Further, should the Group subsequently decide not to complete the new build contract, this would result in an adjustment on the carrying value of the asset under construction. The financial statements do not include any adjustments relating to the recoverability and classification of the reported asset amounts or the amounts and classification of liabilities. Our opinion is not modified in respect of this matter."

Note 2.1 to the Group's audited financial statements for FY2017 are reproduced in italics below.

*"**2.1 Going concern basis of accounting***

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due within the next twelve months.

The Group has recognised a loss after tax of $24,559,000 (2016: $126,318,000) for the year ended 31 December 2017 and as at that date, the Group's and the Company's current liabilities exceed

current assets by $2,450,000 and $19,706,000 (2016: $88,197,000 and $99,447,000) respectively. Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 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 the (i) Group's operating activities, and (ii) financing plans.

(i) Operating activities

Although the Group expects the overall operating environment to remain challenging, it anticipates to generate 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 – existing and prospective rig charter contracts, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(ii) Financing plans

The Group is seeking an additional short term loan of $5,500,000 from a financial institution to meet its working capital requirements during FY2018. This plan, together with the operating activities is expected to allow the Group to meet its current obligations as and when they fall due.

The Group has a capital obligation of $253.0 million for an asset under construction due on 31 December 2018; and another capital obligation of $226.2 million for another asset under construction due on 31 December 2019 (the "new build contracts"). The Group plans to seek the necessary financing closer to the dates of delivery to meet these capital obligations.

In view of the continuing credit facilities being made available to the Group, for at least another twelve months from the reporting date, and together with the financing plans, management of the Group believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

Notwithstanding the above cash flow analysis, management acknowledges that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its debt obligations. These uncertainties include:

- *The eventual conclusion and timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers; and*
- *The successful implementation of the financing plans.*

The above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least another twelve months from the balance sheet date.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. As the Group also plans to raise the necessary funding for the new build contracts, there is no adjustment considered for the carrying value of the assets under construction of $62,634,000 as at 31 December 2017. Should the Group decide subsequently to discontinue the new build contracts, adjustment to the carrying values of these rigs may be required."

The following paragraphs as set out in italics below are extracted from the results announcement dated 27 February 2019 for FY2018 (page 17). We recommend that Non-Interested Directors advise Shareholders to read this section of the results announcement dated 27 February 2019 carefully:–

"As at 31 December 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $18.3 million and $2.5 million, respectively. As at 31 December

2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $2.5 million and $19.7 million, respectively. Improving the net current liability position of the Group and Company is a key concern for the Company.

In addition, as at 31 December 2018, the Group had negative shareholder's equity of $10.3 million and the Company was in a net liability position (total liabilities exceeded total assets) of $11.7 million. The Group has announced on 9 November 2018 a proposed repurchase of $31.0 million existing secured bonds and the issuance of new shares as consideration for the payment of the Company for the purchase of the existing secured bonds and anticipates convening an extraordinary general meeting soon.

The financial statements for the year ended 31 December 2018 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 the Group's operating activities.

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US$30 million. 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. In addition, the Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US$1.2 million over the course of the year. The Group shall continue to work closely with its bankers and is confident of extending the repayment of $5.7 million loan currently within current borrowings to allow the Group to meet its debt obligations as and when they fall due.

The Group has capital commitments of $258.1 million and $230.8 million for assets under construction. The Group continues to engage in discussions with the shipyards and, subject to obtaining the required financing, is expected to have sufficient resources to meet the capital commitments of the Group."

The following statements on, *inter-alia,* the Group's financial statements for FY2018, working capital sufficiency, and bases and plans to address the material uncertainty related to the going concern has been extracted from Section 1.7 of the Circular and are set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"1.7 Material Uncertainty Related to the Going Concern

1.7.1 Background

*Pursuant to Rule 704(5) of the Listing Manual, the Company's independent auditor, KPMG LLP, has in their Independent Auditor's Report, included a section on 'Material uncertainty related to going concern' in relation to the Company' financial statements for the financial year ended 31 December 2017 ("**FY2017**"). Pursuant to the Independent Auditor's Report, the existence of a material uncertainty may cast significant doubt on the Group's ability to continue as a going concern if the Company's fund raising plans were not timely executed to meet the Group's debt obligations as and when they fall due. If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.*

*The Board has clearly communicated plans to Shareholders to divest certain assets including the proposed disposal of 100% of the existing issued share capital of the Company's wholly-owned subsidiary KSR, which holds 55.35% of KS Distribution. As announced by the Company on 30 March 2016 (the "**Earlier Announcement**"), the Independent Auditor's Report included an emphasis of matter in relation to the Company's financial statement for the financial year ended 31 December 2015. The extract of the emphasis of matter stated that the Group plans to divest certain non-core*

assets to raise net proceeds of an estimated $59,200,000. Further, with reference to the Earlier Announcement, the Company had on 29 April 2016 updated shareholders that in response to expressions of interest from third parties, it has appointed Oversea-Chinese Banking Corporation Limited as the financial advisor to undertake a process to solicit and consider offers for the acquisition of the Company's majority stake in the distribution business conducted through KS Distribution group of companies.

1.7.2 Group's Financial Statements for the financial year ended 31 December 2018

The unaudited financial statements for the Group for FY2018 have been prepared on a going concern basis, the validity of which is premised on, inter-alia, 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 the Group's operating activities.

As at 31 December 2018, the Group's equity attributable to the owners of the Company was negative $10.3 million. Therefore, it should be noted that the Proposed Purchase of Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares would strengthen the Group's equity and may alleviate the Group's going concern issue to a certain extent. Following completion of the Proposed Existing KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares the Group's total borrowings would be reduced from approximately S$380.3 million as at 31 December 2018 to approximately S$346.9 million, on a pro-forma basis. Following completion of the Proposed Existing KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the shareholders' equity of the Group would increase from approximately negative S$10.3 million as at 31 December 2018 to approximately positive S$23.1 million, on a pro-forma basis. As such, the gearing of the Group would significantly improve from approximately minus 36.9 times as at 31 December 2018 to approximately 15.0 times, on a pro-forma basis.

1.7.3 Working Capital Sufficiency

The working capital sufficiency of the Group for the next twelve (12) months is dependent on the Group's ability to secure charter contracts for its fleet of drilling rigs. As mentioned in the Company's results announcement dated 27 February 2019 for FY2018, whilst the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US$30 million.

1.7.4 Bases and Plans to address the Material Uncertainty Related to the Going Concern

The material uncertainty about going concern is primarily due to three issues, namely:

1. Uncertainty regarding the timing and extent of future charter contracts;
2. Uncertainty regarding the existing capital commitments of the Group; and
3. Uncertainty regarding the completion of the purchase of the Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares

As mentioned under Section 1.7.3 above, the uncertainty regarding the timing and extent of future contracts is being addressed by the Group seeking to secure charter contracts for the drilling rigs. The Company shall continue with its marketing efforts in this regard and will update Shareholders as and when new charter contracts are secured. For example, the Company had on 22 February 2019 announced a contract extension in relation to a contract awarded for the KS Java Star 2 jack-up drilling rig valued at US$6,700,000.

Based on the unaudited financial statements for FY2018, the Group has capital commitments of approximately S$258.1 million and S$230.8 million for assets under construction. The Company had previously convened extraordinary general meetings on (i) 5 October 2011 in relation to the ratification of two contracts entered into between KS Drilling and COSCO Shipyard for the construction and delivery of two (2) jack-up drilling rigs; and (ii) on 21 October 2014 in relation to the ratification of a contract entered into between a wholly-owned subsidiary of KS Drilling and Shanghai

Zhenhua Heavy Industry Co., Ltd., for the construction and delivery of one (1) new build jack-up drilling rig based on the Friede & Goldman JU-2000E design, with an option granted to KS Drilling for the construction and delivery of a second rig of the same design. The present uncertainty regarding the existing capital commitments of the Group are being addressed through ongoing discussions with the shipyards. Subject to obtaining the required financing, the Group is expected to have sufficient resources to meet the capital commitments of the Group. The Company shall announce as and when there are material developments in relation to these discussions.

The uncertainty regarding the completion of the purchase of the Existing KSE Bonds and the Proposed Issuance of Consideration Shares relates to the pending outcome of the EGM to be convened in relation to the Proposed KSE Transactions.

Shareholders of the Company are advised to carefully read the Group's audited financial statements for FY2017, and in particular Note 2.1 to the audited financial statements, set out in the Annual Report 2017 of the Company. *In essence, Note 2.1 to the audited financial statements relate to the going concern basis of accounting. The financial statements for FY2017 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 the (i) Group's operating activities, and (ii) financing plans.*

Shareholders of the Company are further advised to carefully read the Company's results announcement dated 27 February 2019 for FY2018.*"*

The Directors have confirmed and represented that subject to the upcoming audit, the unaudited financial statements for the Group for FY2018 have been prepared on a going concern basis, the validity of which is premised on, *inter-alia,* continuing availability of credit facilities to the Group for at least another twelve months from end of FY2018, and the sufficiency of cash flows to be generated from (i) the Group's operating activities; (ii) Group's restructuring plans (including *inter-alia* the Proposed Transactions); and (iii) where applicable, other financing plans.

6.3. Assessment of the cancellation of the Existing Warrants and the YTM of the Proposed KSE Bond

(a) Salient information on the Existing KSE Bonds

The salient information on the **Existing** KSE Bonds has been extracted from pages 148-149 of the AR2017 and is set out in italics below. We recommend that Non-Interested Directors advise Shareholders to read this section of the AR2017 carefully:-

*"**INFORMATION ON SECURITIES***

S$65,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF FIXED RATE SECURED BONDS ("S$65.5 MILLION BONDS")

Bondholders	***Name of Subscriber***	***Aggregate Principal Amount of Bonds subscribed***
	*(i) Oversea-Chinese Banking Corporation Limited ("**Subscriber A**");*	*S$30.0 Million*
	*(ii) Pacific One Energy Limited ("**Subscriber B**");*	*S$18.5 Million*
	*(iii) Ms Hedy Wiluan ("**Subscriber C**"); and*	*S$9.5 Million*
	*(iv) TAEL One Partners Ltd, acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P. ("**Subscriber D**").*	*S$7.5 Million*
	*(Subscriber A, B, C and D collectively referred to as the "**Bondholders**" or "**Subscribers**")*	

Issue Size	*S$65,500,000 in principal amount of the S$65.5 Million Bonds issued.*	
Issue Price	*100% of the principal amount of the S$65.5 Million Bonds.*	
Issue Date	*8 December 2017*	
Interest	*(a)*	*From and including 8 December 2017 to, but excluding 8 December 2018, 1.15% per annum of the principal amount outstanding of the Bonds;*
	(b)	*From and including 8 December 2018 but excluding 8 December 2019, 2.0% per annum of the principal amount outstanding of the Bonds*
	(c)	*From and including 8 December 2019 to but excluding 8 December 2020, the Maturity Date, 3.0% per annum of the principal amount outstanding of the Bonds; and*
	(d)	*Subject to the exercise of the Extension Right, from and including the Extended Maturity Date, 4.0 % per annum of the principal amount outstanding of the Bonds.*
Yield-to-maturity	*8.1% per annum (without taking into account effect of free Warrants and based on the Maturity date) and 8.2% per annum (without taking into account effect of free Warrants and based on the Extended Maturity Date)*	
Maturity Date	*8 December 2020, or the extended maturity date of 8 December 2021 (the "**Extended Maturity Date**") at the options of the Bondholders*	
Final Redemption	*On Maturity Date: 119.82%* *On Extended Maturity Date: 125.90%*	
Security	*Share Charge over the Charged Asset, being 80.09% of the equity interest of KS Drilling Pte. Ltd.*	
Other	*65,500,000 bonus Warrants issued for the Subscribers.*	

For more information on the S$65.5 Million Bonds, please refer to the Company's Announcements dated 26 May 2017, 1 August 2017, 29 September 2017. 11 October 2017, 27 October 2017 and 8 December 2017, and Circular to Shareholders dated 12 October 2017."

(b) Salient information on the Existing Warrants

The salient information on the Existing Warrants has been extracted from pages 149-150 of the AR2017 and is set out in italics below. We recommend that Non-Interested Directors advise Shareholders to read this section of the AR2017 carefully:-

*"**65,500,000 MILLION NON-LISTED BONUS WARRANTS***

Warrantholders	***Name of Subscriber***	***Number of Warrants***
	*(v) Oversea-Chinese Banking Corporation Limited ("**Subscriber A**");*	*30.0 Million*
	*(vi) Pacific One Energy Limited ("**Subscriber B**");*	*18.5 Million*
	*(vii) Ms Hedy Wiluan ("**Subscriber C**"); and*	*9.5 Million*
	*(viii) TAEL One Partners Ltd, acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P. ("**Subscriber D**").*	*7.5 Million*

	*(Subscriber A, B, C and D collectively referred to as the "**Warrantholders**" or "**Subscribers**")*
Number of Warrants	*65.5 million non-listed Warrants, each Warrant carrying the right to subscribe for one (1) new Ordinary Share at the Exercise Price*
Issue Price	*The Warrants issued free to the Subscribers*
Issue Date	*8 December 2017*
Exercise Price	*S$0.045 in respect of each Warrant, being a premium of approximately 5.0% to the volume weighted average price of the Shares traded on the SGX-ST for the last 20 days immediately prior to 26 May 2017, such date being the date that the Warrant Subscription Agreements were originally made. The Exercise Price was agreed based on arm's length negotiations between the Subscribers and the Company and was based on commercial considerations made by the Company.*
Exercise Period	*The period commencing on 8 December 2017 and expiring at 5.00 p.m. (Singapore time) on the third (3rd) anniversary of the Issue Date (the "**Expiration Date**") or such later expiration date as may be determined in accordance with the terms and conditions of the Warrants (the "**Exercise Period**")* *If the maturity date of any Bonds is extended by any Subscribers in its capacity of holder of such Bonds in accordance with the terms and conditions of the Bonds, the original Expiration Date of the Warrants held by such Subscribers shall automatically be extended by the same number of days. For the avoidance of doubt, any extension of the Expiration Date of the Warrants shall be effective to extend the Expiration Date of only the Warrants held by such Subscriber and not the Warrants held by any other Subscribers.*
Shares to be issued pursuant to the exercise of the Warrants	*The maximum number of Warrant Shares to be allotted and issued by the Company, pursuant to the full exercise of the Warrants, is 65.5 million Warrant Shares, representing approximately 12.70% of the existing issued share capital of the Company, and representing approximately 11.27% of the enlarged issued share capital of the Company on a diluted basis.* *The Warrant Shares will upon issue and allotment, rank pari passu in all respects with the then existing shares, except that they will not be entitled to participate in any dividends, rights, allotments or other distributions where the record date is before the date of issue and allotment of the Warrant Shares."*

(c) Theoretical value of the Existing Warrants

We note that the Exercise Price of S$0.045 represents a premium of approximately 32.4% over the last transacted price of S$0.034 per Share as at 3 December 2018 (being the last Trading Day prior to the announcement of the Termination of the Existing Warrants on 7 December 2018), which means the Existing Warrants were out-of-the-money. The Existing Warrants are unlisted.

	Closing price per Share (S$)	**Premium of the Exercise Price over the closing price (%)**	**Value of the Existing Warrant**	**Intrinsic value per Existing Warrant [(1)] (S$)**
As at the last Trading Day prior to the announcement of the Termination of the Existing Warrants	0.034	32.4%	Out-of-the-money	n.m.

Note:

(1) The intrinsic value is the difference between the last transacted price as at 3 December 2018 (being the last Trading Day prior to the announcement of the Termination of the Existing Warrants) and the Exercise Price.

Warrants have a theoretical market value (being the hypothetical value or "fair value" of the share option computed based on models such as Black-Scholes or Binomial model using several assumptions (as described briefly in the following section). The theoretical market value is dependent on, *inter-alia*, the exercise price vis-à-vis the current price of the underlying Shares, the length of the exercise period or time/period to expiration, the price volatility of the underlying Shares and the risk-free interest rate. We have considered the valuation of the Existing Warrants as at the last Trading Day prior to the announcement of the Termination of the Existing Warrants using the theoretical value of the Warrants based on the Black-Scholes model, which is a common methodology used in the calculation of warrants. Notwithstanding the theoretical market value, we note that the Existing Warrants have been issued to the Existing Bondholders at no consideration. In addition, we note that the Exercise Price for the Existing Warrants is higher as compared to the Issue Price.

Our key assumptions used for computing the theoretical market value of the Existing Warrants are *inter-alia* as follow:

(i) issue date: 8 December 2017;

(ii) volatility estimation: Using historical prices of the Shares for the 1 year period prior to and including the date of announcement of the Termination of the Existing Warrants to estimate the volatility of the Shares;

(iii) risk-free rate: The 2-year yield of an existing benchmark Singapore Government Securities Treasury Bonds;

(iv) time to expiration: Approximately two (2) years; and

(v) no dividend.

	Theoretical market value per Existing Warrant (S$ cents)	**Number of Existing Warrants to be cancelled**	**Total value of the Existing Warrants (based on the theoretical market value) (S$)**
As at the last Trading Day prior to the announcement of the Termination of the Existing Warrants	1.31	65,500,000	858,050

Based on the above key assumptions, a theoretical market value of approximately 1.31 S$ cents is ascribed for each of the Existing Warrant with approximately 2 years to maturity and the total value of all Existing Warrants is approximately S$858,050. Notwithstanding the theoretical market value, we note that the Existing Warrants were terminated and cancelled at no consideration as announced by the Company on 7 December 2018.

Non-Interested Directors should note that the estimation of the theoretical market values of the Existing Warrants as set out in this section is dependent on various assumptions, including but not limited to the issue date, exercise price, exercise period, risk free rate, and expected volatility. Thus, the estimation of the theoretical market value of the Existing Warrants as set out in this section is necessarily limited and serves only as an illustrative guide.

(d) YTM for the Proposed KSE Bond Purchase

For illustrative purpose only, we have computed the YTM for the Proposed KSE Bonds Purchase taking into consideration, *inter-alia,* the cancellation of the Existing Warrants and the theoretical value of the Existing Warrants. In our computation, we have considered the following:-

(i) The Existing KSE Bonds was originally issued at 100% of the principal amount of S$65.5 million together with 65,500,000 Existing Warrants. In the event the theoretical market value of the Existing Warrants as at 26 May 2017 (being the announcement date for the Original Bond Purchase Agreement) of approximately S$0.0140 for each Existing Warrant is considered, the adjusted issue price of the Existing KSE Bonds would be approximately 98.6%.

(ii) Pursuant to the Proposed KSE Bond Purchase, the Existing KSE Bonds held by the Existing Bondholders will be purchased at par, equivalent to the principal amount of S$21.5 million and S$9.5 million from each of POEL and HW respectively and no interest shall be paid or is payable to the Existing Bondholders. Hence the YTM for the Proposed KSE Bond Purchase (without ascribing any theoretical value to the Existing Warrants which is cancelled but after ascribing a theoretical value to the Existing Warrants when issued) is approximately 1.4%.

(iii) The theoretical value of the Existing Warrants which is cancelled is approximately 1.31 S$ cents for each Existing Warrant notwithstanding that all the Existing Warrants were terminated and cancelled at no consideration.

Taking into account the above, the YTM for the Proposed KSE Bond Purchase (after taking into account the theoretical value of the Existing Warrants) is approximately 0.1%. In the event that no value is ascribed to the Existing Warrants on issue and cancellation, the YTM would be 0%.

(e) Comparison with the original YTMs

Pursuant to the Original Bond Purchase Agreement, the YTM for the Existing KSE Bonds before adjusting for the theoretical value for the Existing Warrants ("**Original YTM**") is between 8.1% (three (3) years from the Closing Date) (the "**Maturity Date**") and 8.2% (based on the right (but not obligation) to direct the Company to extend the maturity date of the Bonds held by the bondholder for an additional year from the Maturity Date, such date being four (4) years from the Closing Date) (the "**Extended Maturity Date**"). We note from the Company's circular dated 12 October 2017 that the YTM for the Existing KSE Bonds adjusted for the theoretical value for the Existing Warrants as at 26 May 2017 is approximately 8.6% per annum (the "**Adjusted YTM**", based on both the Maturity Date and the Extended Maturity Date).

We note that the various YTMs for the Proposed KSE Bonds Purchase, including the YTM after taking into account the theoretical value of the Existing Warrants of approximately 0.1%, is *inter-alia* substantially lower than the Original YTM and the Adjusted YTM.

(f) Comparison with the Singapore's prime lending rate

In our evaluation of the Proposed KSE Bonds Purchase, we have made a comparison of the YTM for the Proposed KSE Bonds Purchase against the Singapore's historical prime lending rate (which we have sourced from the website of the Monetary Authority of Singapore and is based on average rates compiled from that quoted by 10 leading banks and finance companies) for illustrative purpose. Prime lending rate is defined by the Association of Banks in Singapore ("**ABS**") as the lowest lending rate which a bank is prepared to lend in Singapore Dollars to its best customers on an overdraft or demand basis.

We note that the Singapore's prime lending rate ("**Singapore Prime Lending Rate**") for the months, being January 2018 to December 2018 and January 2019 to February 2019 are at 5.33% per annum and 5.25% per annum respectively. These are higher than the various YTMs for the Proposed KSE Bond Purchase, including the YTM after taking into account the theoretical value of the Existing Warrants.

We wish to highlight that banks and finance companies determine their prime lending rates based on factors, *inter-alia*, cost of funds, spread to cover credit risks, operating expenses and a desired return on shareholders' funds. Credit risks of the borrowers' vary based on, *inter-alia*, general economic condition and environment, and industry in which the borrowers operate in, financial performance, financial position, existing debt burden, credit history, and availability of assets to be securitised/collateralised. As such, comparison of the various YTMs for the Proposed KSE Bonds Purchase with the Singapore Prime Lending Rate is necessarily limited and serves as an illustrative purpose only.

(g) Comparison with the Group's cost of capital

In our evaluation of the various YTMs for the Proposed KSE Bonds Purchase, we have also assessed the Group's cost of capital as a proxy of the Group's costs for funds. We note from Bloomberg that the weighted average cost of capital ("**WACC**") of the Group is approximately 2.9% per annum as at the Latest Practicable Date.

The WACC of the Group is higher than the various YTMs for the Proposed KSE Bonds Purchase, including the YTM after taking into account the theoretical value of the Existing Warrants.

Shareholders should note that WACC is the rate that a company is expected to pay on average to all its security holders (debt or equity) to raise financing or its cost of capital (debt and equity). It does not indicate or imply that the actual costs incurred or to be incurred for raising of capital (debt or equity). The computation of WACC is subject to various assumptions including, *inter-alia*, the risk free rate, cost of debt and cost of equity. The comparison of the various YTMs for the Proposed KSE Bonds Purchase with the WACC is necessarily limited and serves as an illustrative purpose only.

(h) Comparison with the Group's borrowings

The following table sets out selected information on the Group's borrowings:-

Type of credit facilities	Interest rate per annum (%)	Year of maturity	Carrying amount as at 31 December 2018 (S$ million)	Security/collateral
Existing Loans, being the short term borrowings from Related Parties (POEL)	2%	1 year (January 2018 to 31 December 2018)[(1)]	0.1	Unsecured
Secured bank loans from a Singapore financial institution ("**Singapore Loan**") (refinanced on 10 January 2017) (restructured on 18 January 2019)	November 2016 – February 2018: (1% + cost of fund ("**COF**")) After February 2018: (0.5% + COF)	7 years (November 2016 to November 2023)	320.8	Secured over the rights and benefits arising from the Group's rigs with a carrying amount of approximately S$276.2 million as at 31 December 2018.
Secured bank loans from a Indonesian financial institution ("**Indonesian Loan**") (refinanced on 15 April 2016 and 20 April 2017)	6.25%	5.5 years (12 October 2012 to 23 March 2018) (original maturity date was 23 March 2018 and subsequently extended to 23 July 2022	11.1	Secured over the rights and benefits arising from the Group's rigs with a carrying amount of approximately S$27.3 million as at 31 December 2018.
Bridging loan ("**Bridging Loan 1**")	4.75% (monthly repayment starting from March 2020)	6 years (February 2017 to February 2023)	5.0	Unsecured
Bridging loan ("**Bridging Loan 2**")	4.75% (monthly repayment starting from February 2020)	1 years (July 2017 to January 2023)	5.0	Unsecured
Existing KSE Bonds (subject of Announcement)	Coupon From and including the Closing Date to, but excluding 8 December 2018: 1.15% per annum From and including 21	3 years + 1 year extension (with the Lender having the right, but not obligation, to extend the maturity)	38.2	Share Charge over the Charged Asset, being 80.09% of the equity interest of KS Drilling.

	December 2018 to, but excluding 8 December 2019: 2.0% per annum From and including 8 December 2019 to, but excluding the Maturity Date: 3.0% per annum From and including the Maturity Date to but excluding the Extended Maturity Date: 4.0% per annum			

Source: *The Company's results announcement for FY2018, and representation by the Management and as stated in the Circular.*

Note:

(1) The Directors and Management represented that the Company is still negotiating with POEL for extension of the maturity.

For illustrative purpose only, we note from the above table that the various YTMs for the Proposed KSE Bond Purchase is substantially lower and more favourable than the interest rates for the Group's existing bank loan (comprising the short-term borrowings from related parties being POEL, the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2).

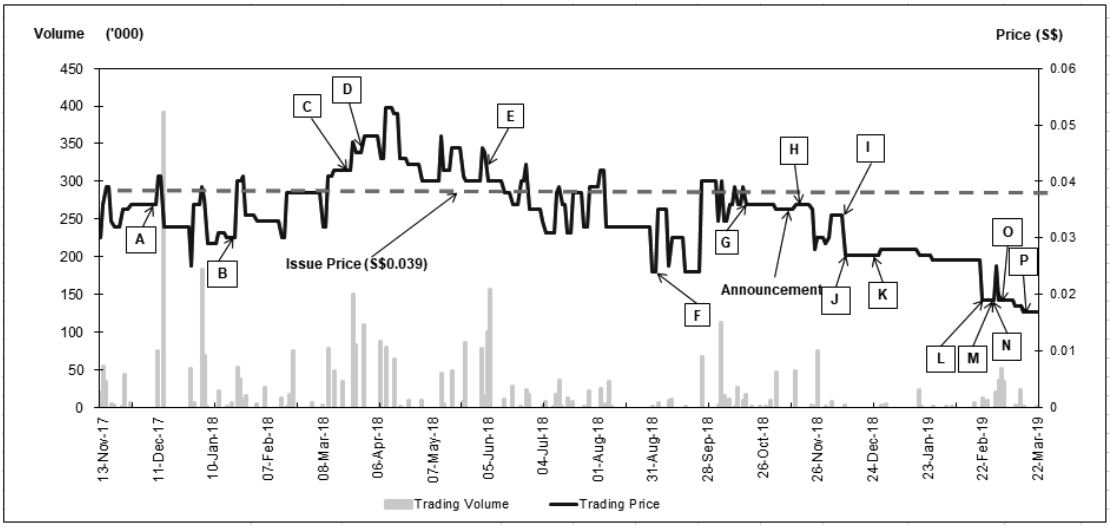
Non-Interested Directors should note that the comparison between the various YTMs for the Proposed KSE Bond Purchase and the Group's existing bank loans (comprising the short-term borrowings from POEL, the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2) is necessarily limited and meant for illustration purpose only. This is in view of the differences in the type of instrument, tenure, securities and guarantees, as well as the purpose for the issuance of such instruments or grant of such loans may be different.

6.4. Assessment of the Proposed Issuance of Consideration Shares

In our evaluation of the Issue Price (being S$0.039 for each Consideration Share), we have considered, *inter-alia,* the historical trading performance for the Shares, the Group's NAV and NTA per Share, salient statistics for selected debt to equity conversion as IPT conducted by companies listed on the SGX-ST, as well as valuation ratios of the Selected Comparable Companies (defined later).

(a) Market quotation and trading activity of the Shares

The historical price chart for the Shares (based on the closing prices and the number of Shares traded on a daily basis) during the period commencing from 10 November 2017 (being the Market Day 12 months prior to the Announcement Date) and ending on the Latest Practicable is set out below:–



Source: *SGX-ST*

Notes:

A. Announcement on the completion of the issuance of Existing KSE Bonds and Existing Warrants

B. Announcement on US$3.0 million contract extension for KS Java Star 2

C. Announcement on US$4.0 million contract for KS Medstar 1

D. Announcement on notice of 3 consecutive years' losses

E. Announcement on notification of inclusion on the financial watch-list

F. *Announcement on response to the SGX-ST on HY2018 results*

G. *Announcement on the Proposed Disposal*

H. *Announcement on response to the SGX-ST on the Internal Reorganisation of Subsidiaries, Proposed Disposal and mutual release deed.*

I. *Announcement on Termination of Existing Warrants*

J. *Announcement on completion of the Internal Reorganisation of Subsidiaries, the Proposed KSE Bond Purchase from OCBC, the Proposed KSR Bonds Issuance and the Proposed Disposal.*

K. *Announcement on awarded contract with expected value of US$2.6 million for KS Java Star 2*

L. *Announcement on extension of contract with expected value of US$6.7 million for KS Java Star 2*

M. *Announcement on the extension of the long stop date for the Proposed Transactions*

N. *Announcement on the release of FY2018 results*

O. *Announcement on response to the SGX-ST on FY2018 results*

P. *Announcement on extension of time to hold the EGM*

For the period commencing from 10 November 2017 and ending on 9 November 2018, being the Announcement Date (both dates inclusive), we note that closing prices for the Shares were above the Issue Price on 81 Market Days out of the total 251 Market Days, below the Issue Price on 160 Market Days out of the total 251 Market Days and on par with the Issue Price on 10 Market Days out of the total 251 Market Days. In addition, for the period commencing from 10 November 2017 and ending on 9 November 2018, the highest transacted prices for the Shares was S$0.060, which is substantially higher than the Issue Price and the closing prices for the Shares have increased by approximately 16.7% from 3.00 S$ cents as at 10 November 2017 to 3.50 S$ cents as at 2 November 2018, being the Last Trading Day prior to the Announcement Date.

For the period commencing from 12 November 2018 (being the market day immediately after the Announcement Date) till 22 March 2019 (being the Latest Practicable Date), the Shares were only traded on 26 Trading Days out of a total 91 Market Days during the period. The closing prices for the Shares were always below the Issue Price during the period commencing on the market day immediately after the Announcement Date to the Latest Practicable Date. We further note that prices for the Shares have declined by approximately 51.4% to close at 1.70 S$ cents per Share on 22 March 2018, being the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Index ("**FTSE STI**") declined by approximately 10.0% for the period commencing from 10 November 2017 and ending on 9 November 2018 and subsequently increased by approximately 4.4% from the Announcement Date till the Latest Practicable Date. The Shares have outperformed the FTSE STI for the period commencing from 10 November 2017 and ending on 9 November 2018 (being the Announcement Date), but underperformed the FTSE STI for the period commencing from the market day immediately after the Announcement Date till the Latest Practicable Date.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices for the Shares.

The volume-weighted closing price ("**VWCP**"), the highest and lowest transacted prices and the average daily trading volume for the Shares, for the period commencing from 10 November 2017 to the Latest Practicable Date are set out below:-

	VWCP per Share[1] (S$ cents)	Premium/ (Discount) of the Issue Price over/from VWCP per Share (%)	Lowest transacted price (S$ cents)	Highest transacted price (S$ cents)	Average daily trading volume[2] (Shares)	Average daily trading volume as % of free-float[3] (%)
For the period 12 months prior to the Announcement Date						
Last 12 months	3.95	(1.2)%	1.30	6.00	12,539	0.010%
Last 6 months	3.95	(1.3)%	1.30	4.80	9,098	0.007%
Last 3 months	3.72	4.8%	1.30	4.10	5,567	0.004%
Last 1 month	3.59	8.7%	1.30	3.90	5,727	0.004%
Last transacted price on 2 November 2018 (being the Last Trading Day immediately preceding the Announcement Date)[4]	3.50	11.4%	3.50	3.50	46,700	0.036%
For the period on the Announcement Date to the Latest Practicable Date						
Till the Latest Practicable Date	2.50	55.9%	1.60	3.60	4,192	0.003%
Last transacted price on 22 March 2019 (being the Latest Practicable Date)[5]	1.70	129.4%	1.70	1.70	2,000	0.002%

***Source**: SGX-ST*

Notes:

(1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.

(2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.

(3) Free float refers to the approximately 128,297,355 Shares or approximately 24.9% of the issued Shares held by Public Shareholders (being Shareholders other than (a) Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company or its subsidiaries; and (b) associates of the persons in sub-paragraph (a) above) as at the Latest Practicable Date and as enumerated in the Circular.

(4) This represents the last transacted price instead of VWCP for the Shares on 2 November 2018, being the Last Trading Day preceding the Announcement Date.

(5) *This represents the last transacted price instead of VWCP and trading volume for the Shares on 22 March 2019, being the Latest Practicable Date.*

Based on a general observation of the table above and after taking into account the summary of the transacted prices for the Shares, we note that the Issue Price represents:

(i) a premium of approximately 11.4% over the last transacted price of 3.50 S$ cents per Share on the SGX-ST on 2 November 2018 (being the Last Trading Day for the Shares prior to the Announcement Date);

(ii) a discount of approximately 1.2% and 1.3% from the VWCP for the Shares for the 12-month and 6-month periods prior to the Announcement Date;

(iii) a premium of approximately 4.8% and 8.7% over the VWCP for the Shares for the 3-month and 1-month periods prior to and including the Announcement Date;

(iv) a premium of approximately 55.9% over the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date; and

(v) a premium of approximately 129.4% over the last transacted price of 1.70 S$ cents per Share on 22 March 2019, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 10 November 2017 and ending on the Latest Practicable Date, we note that:-

(i) from 10 November 2017 to 9 November 2018, being the Market Day 12 months prior to and ending on the Announcement Date (both dates inclusive), the Shares were only traded on 89 Trading Days out of the total 251 Market Days during the period, with the total number of Shares traded being approximately 3.1 million Shares and an average daily trading volume of approximately 12.5 thousand Shares for the period, which represents approximately 0.002% of the issued Share capital as at the Latest Practicable Date or approximately 0.010% of the issued Share capital held by Public Shareholders as at the Latest Practicable Date.

(ii) for the period commencing from 12 November 2018, being the Market Day immediately after the Announcement Date, till the Latest Practicable Date (both dates inclusive), Shares were traded on 26 Trading Days out of the total 91 Market Days during the period, with the total number of Shares traded being approximately 381.5 thousand Shares and an average daily trading volume of approximately 4.2 thousand Shares, which represents approximately 0.001% of the issued Share capital as at the Latest Practicable Date or approximately 0.003% of the issued Share capital held by Public Shareholders as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the number of Shares traded during the 12 month period prior to and including the Announcement Date is relatively low as compared to the number of issued Shares held by Public Shareholders as at the Latest Practicable Date. In addition, the Shares were only traded on 89 Trading Days out of the total 251 Market Days for the period 12-months prior to the Announcement Date and 26 Trading Days out of the total 91 Market Days for the period commencing from the Market Day immediately after the Announcement Date to the Latest Practicable Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis), they nonetheless represent the prices for transactions between willing buyer and willing seller.

We observed that the closing prices for the Shares has increased by approximately 16.7% for the period commencing from 10 November 2017 and ending on 9 November 2018 (being the Announcement Date) and decreased by approximately 51.4% from the Market Day immediately after the Announcement Date to the Latest Practicable Date. As mentioned earlier, the prices for the Shares had outperformed the FTSE STI for the period 12-months prior to the Announcement Date, but underperformed the FTSE STI for the period commencing from the Market Day immediately after the Announcement Date till the Latest Practicable Date. Subsequent to the Announcement Date, the prices for the Shares generally appear to be always lower than the Issue Price.

The relatively weaker performance of the Shares as compared to the FTSE STI for the period immediately after the Announcement Date till the Latest Practicable Date and the continued lack of liquidity for the Shares for the period from the market day after the Announcement Date till the Latest Practicable Date may, *inter-alia*, be a reflection of the market's sentiments for the proposed transactions as well as prospects or demand for the Shares on or after the Announcement Date.

Shareholders should note that there is no assurance that the prices and average volume of Shares traded on a daily basis will be maintained or that the transacted prices for the Shares or the average volume of Shares traded on a daily basis after completion of the proposed transactions (or if the

proposed transactions lapses) will be at the same levels prevailing during the period commencing from the Announcement Date and ending on the Latest Practicable Date.

Non-Interested Directors should also note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

(b) NAV and NTA Analysis

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company or group in their existing condition, after deducting the sum of all liabilities and minorities' interests of the company or group. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company or group may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names) over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NAV approach does not take into consideration nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values for which assets may actually be realised or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company or group in their existing condition, after deducting the sum of all liabilities, non-controlling interests and intangible assets of the company or the group. The NTA based approach is meaningful as it shows the extent for which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company or group may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NTA approach does not take into account or consideration the presence of any intangible or non-tangible assets, *inter-alia*, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values for which assets may actually be realised or disposed of.

In assessing the Issue Price for the Consideration Shares, in relation to the NAV and NTA per Share of the Group as at 31 December 2018, we have reviewed the unaudited statements of financial position of the Group as at 31 December 2018 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited statements of financial position of the Group as at 31 December 2018 and in the Circular as well as in this IFA letter, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statements of financial position of the Group as at 31 December 2018 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 December 2018, save as disclosed in the unaudited statements of financial position of the Group as at 31 December 2018 as well as the Circular in this IFA letter In addition, the Directors are of the opinion that save as disclosed in the Circular and in this IFA letter, the values of the assets (other than those for which

valuation has been conducted), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the statements of financial position of the Group as at 31 December 2018 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

Consolidated unaudited balance sheet as at 31 December 2018	**S$'000**
Non-current assets	
Plant and equipment	388,487
Intangible assets and goodwill	1
Other assets	679
Deferred tax assets	555
	389,722
Current assets	
Cash and cash equivalents	15,606
Trade receivables	2,992
Contract assets	29
Inventories	226
Other assets	5,039
	23,892
Non-current liabilities	
Trade and other payables	561
Financial liabilities	368,621
Deferred tax liabilities	1,053
	370,235
Current liabilities	
Bank overdraft	3,520
Trade and other payables	23,860
Provision for current tax	3,197
Financial liabilities	11,649
	42,226
NAV including non-controlling interest as at 31 December 2018	**1,153**
Less: Non-controlling interest	(11,449)
Net liabilities value ("Net Liabilities") attributable to owners of the Company as at 31 December 2018	**(10,296)**
Less: Intangible assets	(1)
Net tangible liabilities ("NTL") of the Group as at 31 December 2018	**(10,297)**
Net Liabilities per Share (S$ cents)[(1)]	**(2.00)**
NTL per Share (S$ cents)[(1)]	**(2.00)**
Issue Price (S$ cents)	3.90
Premium/(discount) of the Issue Price over/from the Group's Net Liabilities per Share and/or NTL per Share as at 31 December 2018	**n.m.**

Notes:

(1) Based on the Company's issued Share capital of 515,601,215 Shares as at the Latest Practicable Date.

From the above table, we note that the Group had Net Liabilities or NTL of approximately S$10.3 million as at 31 December 2018. Hence, any comparison and analysis of the Issue Price and the Group's Net Liabilities or NTL per Share are not meaningful. Notwithstanding we note that the Issue Price is favourable taking into account the Group's Net Liabilities per Share and/or NTL per Share as at 31 December 2018

In our evaluation of the Issue Price, we have considered whether:-

(i) there are any material events that may have an impact the unaudited balance sheet of the Group from 31 December 2018 to the Latest Practicable Date to determine whether adjustments need to be made to the NAV and/or NTA per Share as at 31 December 2018. In this respect, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 31 December 2018, the announcements released by the Company on SGX-NET and the Circular and in this IFA Letter, there have been no known material events since 31 December 2018 to the Latest Practicable Date that have or will have a material impact to the unaudited statement of financial position of the Group as at 31 December 2018; and

(ii) there are any tangible assets which should be valued at an amount that is materially higher from that which is recorded in the unaudited statement of financial position of the Group as at 31 December 2018. The Directors and the Management represented and confirmed that the carrying amount of the rigs held by the Group as at 31 December 2018 is appropriate and an impairment test in accordance with the relevant provision under the Singapore Financial Reporting Standards had been performed, where necessary, for the purpose of the unaudited financial statements for FY2018. In addition, the Directors have confirmed that to the best of their knowledge, nothing has come to their attention which may render the audited financial statements for FY2017 and the unaudited financial statements for FY2018 to be false or misleading in any material aspect. The Directors further note that the Issue Price is favourable taking into account the Group's Net Liabilities and/or NTL position as at 31 December 2018.

(c) Relative valuation analysis

In assessing the Issue Price, we have considered the financial performance, financial position and valuation statistics of selected comparable companies (the "**Selected Comparable Companies**") that may, in our view, be broadly comparable to the existing core businesses of the Group after completion of the Proposed Disposal, which are principally engaged in capital equipment charter, provision of drilling and rig management services and specialised engineering and fabrication business.

The Selected Comparable Companies have been identified after a search was carried out *inter-alia* to companies listed on the SGX-ST and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management of the Group about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group after completion of the Proposed Disposal. Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Shareholders should note that the Selected Comparable Companies may not be directly comparable to the Group in terms of *inter-alia* composition of business activities, type and scope of drilling activities or provision of rig management services, scale of operations, asset base, clientele base, risk profile, geographical spread of activities and assets, track record, future prospects and other relevant criteria. Comparisons may also be affected, *inter-alia*, by differences in their accounting policies or application of international accounting standards or accounting standards similar for those applied for the Group .

We advise Non-Interested Directors to note that there may not be any company listed on any relevant stock exchange that is or may be directly comparable to the Group after completion of the Proposed Disposal in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity, systemic or non-systemic factors of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance or condition, and some of these, *inter-alia*, include prospects real or perceived of financial performance or financial condition or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity, market capitalisation and relative sentiments of the market for shares.

Selected Comparable Companies	**Market Capitalisation (S$ million)**	**Principal Activities**
Perisai Petroleum Teknologi Bhd ("**Perisai**") *Listed on the Bursa Malaysia*	2.1	The group is principally engaged in providing support in the offshore production facilities, offshore drilling, offshore support vessels, offshore construction and installation segments.
PT Apexindo Pratama Duta ("**Apexindo**") *Listed on the IDX*	235.4	The group is principally engaged in providing oil, gas and geothermal drilling services. It offers onshore and offshore mining and drilling services.
Petrovietnam Drilling and Well Services Corporation ("**Petrovietnam**") *Listed on the HOSE*	392.2	The group is principally engaged in providing drilling rigs and drilling-related services as well as manpower supply for onshore and offshore drilling operation.
Mermaid Maritime Public Company Limited ("**Mermaid Maritime**") *Listed on the SGX –ST*	115.9	The group is principally engaged in providing subsea and drilling services to the offshore oil and gas industries in Saudi Arabia, Indonesia, Thailand, Qatar, Malaysia, and internationally.

Source: *Bloomberg, SGX-ST and respective companies' website*

The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:-

Selected Comparable Companies	LTM ROE [(1)] (%)	LTM net profit margin [(2)] (%)	LTM asset turnover[(3)] (times)	Total liabilities[(4)]/ shareholder equity (times)	Total borrowings[(6)]/ shareholder equity[(5)] (times)
Perisai	n.m.[(7)]	n.m.[(7)]	0.1	n.m.[(8)]	n.m.[(8)]
Apexindo	n.m.[(9)]	n.m.[(9)]	0.2	n.m.[(10)]	n.m.[(10)]
Petrovietnam	0.4	1.8	0.2	0.1	No borrowing
Mermaid Maritime[(11)]	n.m.[(12)]	n.m.[(12)]	0.2	0.3	0.2
MAXIMUM	**0.4**	**1.8**	**0.2**	**0.3**	**0.2**
MINIMUM	**0.4**	**1.8**	**0.1**	**0.1**	**0.2**
MEDIAN	**0.4**	**1.8**	**0.2**	**0.2**	**0.2**
SIMPLE AVERAGE	**0.4**	**1.8**	**0.2**	**0.2**	**0.2**
The Group	**n.m.[(13)]**	**n.m.[(13)]**	**0.1**	**n.m.[(14)]**	**n.m.[(14)]**

***Source**: The latest annual reports and the announced unaudited financial statements of the respective companies.*

Notes:

*(1) The last twelve months ("**LTM**") return on equity ("**ROE**") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.*

(2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most twelve months total consolidated revenue of the respective companies.

(3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.

(4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities, if any.

(5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.

(6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.

(7) Perisai incurred a loss after tax attributable to owners of approximately RM498.9 million for the LTM ended 31 December 2018. Hence, Perisai's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

(8) Perisai recorded negative shareholders' equity attributable to equity holders of approximately RM411.8 million as at 31 December 2018. Hence, Perisai's total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios are negative and not meaningful.

(9) Apexindo incurred a loss after tax attributable to owners of approximately US$150.9 million for the LTM ended 30 September 2018. Hence, Apexindo's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

(10) Apexindo recorded negative shareholders' equity attributable to equity holders of approximately US$81.7 million as at 30 September 2018. Hence, Apexindo's total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios are negative and not meaningful.

(11) Based on Mermaid Maritime results announcement for FY2018, there is no revenue being generated from drilling segment. This is mainly due to highly competition in the market as stated in its 2017 annual report. However, as the company didn't cease its drilling operation and it is still having rigs under their property, plant and equipment, it's deemed appropriate to include Mermaid Maritime as one of the Selected Comparable Companies.

(12) Mermaid Maritime incurred a loss after tax attributable to owners of approximately US$27.2 million for the LTM ended 31 December 2018. Hence, Mermaid Maritime's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

(13) The Group incurred a loss after tax attributable to owners of approximately S$42.0 million for FY2018. Hence, the Group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

(14) The Group recorded negative shareholders' equity attributable to equity holders of approximately S$10.3 million as at 31 December 2018. Hence, the Group's total liability to shareholders' equity and total borrowings to shareholders' equity are negative and not meaningful.

For illustrative purposes only, we note the following:-

(i) The Group incurred a loss after tax attributable to owners of the Company of approximately S$42.0 million for FY2018. Hence, the Group's LTM ROE is not meaningful and LTM net profit margin is negative. For illustrative purpose only, we note that three (3) out of four (4) Selected Comparable Companies were also loss making with negative LTM net profit margin and a not meaningful LTM ROE.

(ii) The Group's LTM asset turnover is within the range but lower than both the median and simple average for the Selected Comparable Companies.

(iii) The Group recorded a negative equity attributable to owners of the Company of approximately of S$10.3 million as at 31 December 2018. Hence, the Group's total liabilities to shareholders' equity ratio and total borrowings to shareholders' equity ratio are negative and not meaningful. For illustrative purpose only, we note that 2 out of the 4 Selected Comparable Companies were also having negative shareholder's equity with negative total liabilities to shareholders' equity ratio and total borrowings to shareholders' equity ratio .

In summary, the historical financial performance (based on LTM ROE and LTM net profit margin) and financial condition (in terms of total liabilities to shareholders' equity ratio and total borrowings to shareholders' equity ratio) of the Group are not meaningful for LTM ROE and negative for LTM net profit margin. These are generally in line with the Selected Comparable Companies. The Group's LTM asset turnover is within the range but lower than both the median and simple average for the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Issue Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements (as may be applicable) from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group and should be evaluated in the context of their relative financial performance.

Selected Comparable Companies	**Market capitalisation (S$ m)**	**LTM EV/ EBITDA[(1)] (times)**	**LTM PER[(2)] (times)**	**Price/ NAV[(3)] (times)**	**Price/ NTA[(3)] (times)**	**Premium/ (Discount) over/from NTA (times)**
Perisai	2.1	n.m.[(4)]	n.m.[(4)]	n.m.[(5)]	n.m.[(5)]	n.m.[(5)]
Apexindo	235.4	n.m.[(6)]	n.m.[(6)]	n.m.[(7)]	n.m.[(7)]	n.m.[(7)]
Petrovietnam	392.2	0.1	126.3	0.5	0.5	(48.1)%
Mermaid Maritime	115.9	n.m.[(8)]	n.m.[(8)]	0.3	0.3	(72.6)%
MAXIMUM	**392.2**	**0.1**	**126.3**	**0.5**	**0.5**	**(48.1)%**
MINIMUM	**2.1**	**0.1**	**126.3**	**0.3**	**0.3**	**(72.6)%**
MEDIAN	**175.6**	**0.1**	**126.3**	**0.4**	**0.4**	**(60.4)%**
SIMPLE AVERAGE	**186.4**	**0.1**	**126.3**	**0.4**	**0.4**	**(60.4)%**
Group (implied by the Issue Price)	**20.1**	**n.m.[(9)]**	**n.m.[(9)]**	**n.m.[(10)]**	**n.m.[(10)]**	**n.m.[(10)]**

***Notes**:*

(1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The LTM EBITDA for Perisai, Petrovietnam and Mermaid Maritime are based on the most recent twelve months period ended 31 December 2018. The LTM EBITDA for Apexindo is based on the most recent twelve months period ended 30 September 2018.

(2) The LTM PER for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies. The earnings after tax for Perisai, Petrovietnam and Mermaid Maritime are based on the most recent twelve months period ended 31 December 2018. The earnings after tax for Apexindo is based on the most recent twelve months period ended 30 September 2018.

(3) The P/NAV and P/NTA ratios for the Selected Comparable Companies are based on their respective NAV and NTA values as set out in their latest available announced audited or unaudited financial statements. The NAV and NTA for Perisai, Petrovietnam and Mermaid Maritime are based on the most recent twelve months period ended 31 December 2018. The NAV and NTA for Apexindo is based on the most recent twelve months period ended 30 September 2018.

(4) Perisai incurred a loss after tax attributable to equity holders of approximately RM498.9 million and negative EBITDA of approximately RM387.3 million the LTM ended 31 December 2018. Hence, Perisai's LTM PER and LTM EV/EBITDA are negative and not meaningful.

(5) Perisai recorded negative NAV and NTA of approximately RM411.8 million and RM411.7 million respectively as at 31 December 2018. Hence, Perisai's price to NAV and price to NTA ratios are negative and not meaningful.

(6) Apexindo incurred a loss after tax attributable to owners of approximately US$150.9 million and negative EBITDA of approximately US$100.9 million for the LTM ended 30 September 2018. Hence, Apexindo's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.

(7) Apexindo recorded negative NAV and NTA of approximately US$81.7 million as at 30 September 2018. Hence, Apexindo's price to NAV and price to NTA ratios are negative and not meaningful.

(8) Mermaid Maritime incurred a loss after tax attributable to owners of approximately US$27.2 million and negative EBITDA of approximately US$4.9 million for the LTM ended 31 December 2018. Hence, Mermaid Maritime's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.

(9) The Group incurred a loss after tax attributable to owners of approximately S$42.0 million and negative EBITDA of approximately S$11.3 million for the LTM ended 31 December 2018. Hence, the Group's LTM PER and LTM EV/EBITDA ratios are negative and not meaningful.

(10) The Group recorded negative NAV and NTA of approximately S$10.3 million as at 31 December 2018. Hence, the Group's price to NAV and price to NTA ratios are negative and not meaningful.

For illustrative purposes only, we note the following:-

(i) The market capitalisation of the Group (as implied by the Issue Price) is within the range but lower than both the median and simple average for the Selected Comparable Companies. We note that the trading statistics for companies with higher capitalisation may be different from those with lower market capitalisation and this may be attributable to relative liquidity in terms of number or value of shares traded as well as relative interest in shares of companies with larger market capitalisations.

(ii) The valuation of the Group in terms of LTM PER and LTM EV/EBITDA are negative and not meaningful in view of the Group's loss after tax attributable to owners of the Company of approximately S$42.0 million and negative EBITDA of approximately S$11.3 million. We also note that the valuation of the three (3) out of four (4) Selected Comparable Companies in terms of LTM PER and LTM EV/EBITDA are also negative and not meaningful.

(iii) The valuation of the Group in terms of P/NAV and P/NTA (as implied by the Issue Price and based on the Group's NAV per Share and NTA per Share as at 31 December 2018) is negative and not meaningful in view of the negative equity attributable to owners of the Company of approximately S$10.3 million as at 31 December 2018. We also note that the valuation of the two (2) out of the four (4) Selected Comparable Companies in term of P/NAV and P/NTA are also negative and not meaningful.

In summary, the valuation of the Group as implied by the Issue Price in terms of LTM PER and LTM EV/EBITDA are negative and not meaningful which are comparable to most of the Selected Comparable Companies (save for Petrovietnam). The valuation of the Group as implied by the Issue Price in terms of P/NAV and P/NTA ratios is negative and not meaningful which are comparable to two (2) out of four (4) of the Selected Comparable Companies.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Company including, *inter-alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions in terms of assets, financial performance may differ.

Non-Interested Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter-alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

(d) Comparison against Selected IPT Debt Conversions

In our assessment of the reasonableness of the Issue Price, we have considered the salient terms of other selected transactions which involves conversion of debt into equity undertaken by companies listed on the SGX-ST (the "**Selected IPT Debt Conversions**") to provide, *inter-alia*, a general comparison of the dilution, the premium or discount represented by their respective issue price over or from the NTA per share and last transacted prices prior to the respective announcement, without having regard to specific industry characteristics or consideration or structure or other relevant considerations.

We wish to highlight that the list of the Selected IPT Debt Conversions is by no means exhaustive, and that the premium or discount of the issue price depends on various factors, including, *inter-alia*, debt conversion structure, prevailing market conditions and sentiments, attractiveness and profitability of the business and assets of the issuer as well as relative "bargaining position" of issuer/subscriber. Accordingly, any comparisons made, with respect to the Selected IPT Debt Conversion is intended to serve as an illustrative guide only.

We have tabulated the Selected IPT Debt Conversions to illustrate the typical premium/discount represented by the issue price to NTA per share and the last traded price for the respective shares on the market day immediately preceding the date of the respective announcement, wherein the share was last traded.

Company	Date of announcement	Amount (S$ million)	Issue price (S$)	Premium over/(discount) of issue price over/ (to) last closing price prior to announcement (%)	Premium/ (discount) of issue price over/(to) NTA/(NTL)[1] (%)	% of existing shares[2] (%)	Financial position
Oceanus Group Limited ("**Oceanus**")	25-Jan-17	38.8	0.00395	(43.6)	n.m.[3]	212.8	Loss making (Disclaimer of Opinion on going concern & negative NWC)
Oceanus	25-Jan-17	7.2	0.0040	(42.9)	n.m.[3]	38.9	Loss making (Disclaimer of Opinion on going concern & negative NWC)
Infinio Group Limited ("**Infinio**")	12-May-17	0.2	0.0012	20.0	n.m.[3]	16.1	Loss making (Disclaimer of Opinion on going concern & negative NWC)
Vashion Group Ltd ("**Vashion**")	25-May-17	0.2	0.0030	50.0	0.01	7.5	Loss making but positive NWC
Ausgroup Limited ("**Ausgroup**")	12-Jun-17	8.2	0.0580	21.8	n.m.[3]	19.0	Profitable & positive NWC
Singapore Myanmar Investco Limited ("**Singapore Myanmar**")	30-Aug-17	10.7	0.4800	(6.8)	311.1	7.9	Loss making but positive NWC
Singapore eDevelopment Limited ("**Singapore eDevelopment**")	26-Jan-17	14.9	0.0400	0.0	(12.5)	64.5	Loss making (material uncertainty on going concern but positive NWC)
Kitchen Culture Holdings Ltd ("**Kitchen Culture**")	14-Feb-18	2.5	0.1353	(20.4)	2,976.8	18.5	Loss making & negative NWC

Company	Date of announcement	Amount (S$ million)	Issue price (S$)	Premium over/(discount) of issue price over/ (to) last closing price prior to announcement (%)	Premium/ (discount) of issue price over/(to) NTA/(NTL)[1] (%)	% of existing shares[2] (%)	Financial position
Asian Micro Holdings Limited ("**Asian Micro**")	14-Mar-18	0.4	0.0100	0.0	316.7	7.2	Loss making but positive NWC
MAXIMUM		**38.8**	**0.4800**	**50.00**	**2,976.8**	**212.8**	
MINIMUM		**0.2**	**0.0012**	**(43.6)**	**(12.5)**	**7.2**	
MEDIAN		**7.2**	**0.0100**	**0.0**	**311.1**	**18.5**	
SIMPLE AVERAGE		**9.2**	**0.0817**	**(2.4)**	**718.4**	**43.6**	
The Group	**9-Nov-18**	**31.0**	**0.0390**	**11.4**	**n.m.[3]**	**154.2**	**Loss making (material uncertainty on going concern & negative NWC)**

***Source**: Circulars for the respective companies*

Notes:

(1) The NTA/ (NTL) of the respective companies are based on their respective NTA/ (NTL) values as set out in their respective circular for their above mentioned transactions.

(2) The existing share capital is based on the respective companies issued share capital and the number of settlement shares as at the respective announcement dates for the abovementioned transactions.

(3) Not meaningful as Oceanus, Infinio, Ausgroup and the Group were in net tangible liabilities position.

Based on the table above, we observe the following:-

(i) In term of the size, the Proposed Issuance of Consideration Shares is within the range but higher than both the median and simple average for the Selected IPT Debt Conversions.

(ii) In term of dilution, the Consideration Shares represents approximately 154.2% of the Company's existing Share capital, and this ratio is within the range but higher than both the median and simple average for the Selected IPT Debt Conversions.

(iii) Most of the companies under the Selected IPT Debt Conversions were loss making (save for Ausgroup). Three (3) out of eight (8) of the Companies under the Selected IPT Debt Conversions were in weak financial positions prior to the announcement of the respective debt conversion with negative net working capital and emphasis of matters and/or disclaimer of opinion on going concern. Likewise, the Group had been making loss during three consecutive financial years under review being FY2016 to FY2018 and had negative net working capital of approximately S$18.3 million as at 31 December 2018 with material uncertainty on going concern as highlighted in the Circular and the Independent Auditors' Report for FY2017.

(iv) For illustrative purposes only, we note that the Group had Net Liabilities and/or NTL of approximately S$10.3 million as at 31 December 2018. Hence, the comparison and analysis of the Issue Price and the Group's Net Liabilities and/or NTL per Share may not be meaningful when compared with the Selected IPT Debt Conversions.

(v) The premium of approximately 11.4% as implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date is within the range of the Selected IPT Debt Conversions and more favourable than the median and simple average for the Selected IPT Debt Conversions.

Independent Shareholders should note that as the circumstances for each of the companies listed and the transactions outlined above are unique and as the companies may not be identical to the Group in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects and other relevant criteria, the analysis is limited. Further, the list of Selected IPT Debt Conversions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Proposed Issuance of Consideration Shares to the Existing Bondholders and the Selected IPT Debt Conversions serves as an illustrative guide only.

7. OTHER RELEVANT CONSIDERATIONS

(a) Dilution Impact

It is important to note that pursuant to the issuance and allotment of 794,871,795 Consideration Shares, the shareholdings of the existing Independent Shareholders will be diluted. In evaluating the dilution impact of the issuance and allotment of the Consideration Shares on the existing Independent Shareholders, we have considered the following:-

	As at the Latest Practicable Date				Immediately after issuance and allotment of the Consideration Shares			
	Direct Interest	Deemed Interest	Total Interest		Direct Interest	Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	%[1]	Number of Shares	Number of Shares	Number of Shares	%[2]
Directors								
Kris Taenar Wiluan[3]	-	308,281,662	308,281,662	59.79%	-	859,563,713	859,563,713	65.59%
Richard James Wiluan[3]	-	308,281,662	308,281,662	59.79%	-	859,563,713	859,563,713	65.59%
Soh Gim Teik	-	-	-	0.00%	-	-	-	0.00%
Lawrence Stephen Basapa	50,000	-	50,000	0.01%	50,000	-	50,000	0.004%
Chew Choon Soo	-	-	-	0.00%	-	-	-	0.00%
Samuel Paul Oliver Carew-Jones [4]	1,594,000	-	1,594,000	0.31%	1,594,000	-	1,594,000	0.12%
Substantial Shareholders (other than the Directors)								
Dubai Transport Company LLC[5]	50,751,948	-	50,751,948	9.84%	50,751,948	-	50,751,948	3.87%
Rija Holdings Limited[3]	-	308,281,662	308,281,662	59.79%	-	859,563,713	859,563,713	65.59%
Doba Investment Ltd[5]	-	50,751,948	50,751,948	9.84%	-	50,751,948	50,751,948	3.87%
Ahmad Abdulrahim Baker[5]	-	50,751,948	50,751,948	9.84%	-	50,751,948	50,751,948	3.87%
AMSAF Investment LLC[5]	-	50,751,948	50,751,948	9.84%	-	50,751,948	50,751,948	3.87%
UBS Trustees (Bahamas) Limited[6]	-	20,580,000	20,580,000	3.99%	-	20,580,000	20,580,000	1.57%
UBS AG[6]	-	26,626,250	26,626,250	5.16%	-	26,626,250	26,626,250	2.03%
UBS Group AG[6]	-	26,626,250	26,626,250	5.16%	-	26,626,250	26,626,250	2.03%
The Existing Bondholders								
POEL[3]	308,281,662	-	308,281,662	59.79%	859,563,713	-	859,563,713	65.59%
HW[7]	-	20,580,000	20,580,000	3.99%	243,589,744	20,580,000	264,169,744	20.16%
Existing Public Shareholders			**128,297,355**	**24.88%**			**128,297,355**	**9.79%**
Existing Independent Shareholders			**186,739,553**	**36.22%**			**186,739,553**	**14.25%**
Total			**515,601,215**	**100%**			**1,310,473,010**	**100%**

Notes:

(1) Based on existing Share capital of 515,601,215 Shares excluding 8,639,000 treasury Shares as at the Latest Practicable Date.

(2) Based on Enlarged Share Capital of 1,310,473,010 Shares, excluding 8,639,000 treasury Shares as at the Latest Practicable Date.

(3) Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are deemed interested in the 308,281,662 Shares held by POEL by virtue of Section 4 of the Securities and Futures Act.

(4) Mr Samuel Paul Oliver Carew-Jones is the son-in-law of Mr Kris Taenar Wiluan (Chairman and Chief Executive Officer of the Company).

(5) Doba Investments Ltd, Ahmad Abdulrahim Baker and AMSAF Investment LLC are deemed interested in the 50,751,948 shares registered in the name of Dubai Transport Company LLC by virtue of Section 4 of the Securities and Futures Act.

*(6) The deemed interests arise by virtue of (a) UBS Trustees (Bahamas) Limited ("**UBSTBL**"), UBS AG and UBS Group AG having an interest, or (b) Section 7(4) or 7(4A) of the Companies Act in shares of the Company over which subsidiaries/affiliates of UBSTBL, UBS AG and UBS Group AG have an interest, by reason of the ability to exercise voting discretion and to acquire or dispose of shares.*

(7) HW is deemed interested in the 20,580,000 Shares held by Adventi International by virtue of Section 7 of the Companies Act. HW is the sister of Mr Kris Taenar Wiluan (Chairman and Chief Executive Officer of the Company).

Based on the above illustration, we note that following the issuance and allotment of 794,871,795 Consideration Shares, the number of Shares in issue will increase from 515,601,215 Shares to 1,310,473,010 Shares. POEL's shareholdings will increase from approximately 59.79% to approximately 65.59% whilst HW's shareholdings in the Company will increase from approximately 3.99% to approximately 20.16%. In addition, we note that the shareholdings of the existing Independent Shareholders will be diluted from approximately 36.22% to approximately 14.25%. As such, the existing Independent Shareholders' ability to influence the outcome of any resolutions tabled in a general meeting will be affected after issuance and allotment of the Consideration Shares.

(b) Financial effects

The pro-forma financial effects of the Proposed Issuance of Consideration Shares and the underlying assumptions are set out in Section 3.11 of the Circular. We recommend that the Non-Interested Directors advise the Independent Shareholders to read those pages of the Circular carefully. The financial effect of the Proposed Issuance of Consideration Shares have been extracted from Section 3.11 of the Circular respectively and is set out in italics below:

*"**3.11 Financial Effects of the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares to the Existing Bondholders (collectively, the "Proposed Transactions")***

Shareholders are advised to carefully read the financial effects of the Proposed Transactions as set out in Section 3.11 of the Circular.

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

3.11.1 Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed Transactions [(1)]	*515,601,215*
After the completion of the Proposed Transactions [(1)]	*1,310,473,010*

Note:
*(1) Based on 515,601,215 ordinary shares ("**Shares**") (excluding 8,639,000 treasury shares) in issue as at the Latest Practicable Date.*

3.11.2 Earnings per Share ("EPS")

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

	EPS (cents)
Before the Proposed Transactions [(1)]	*(3.5)*
After the completion of the Proposed Transactions [(2)]	*(1.2)*

Note:
(1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.
(2) Based on 1,310,473,010 Shares in issue after completion of the Proposed Transactions.

3.11.3 Net Tangible Assets ("NTA")

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

	Group (as at 31 December 2017)
As reported	
NTA (S$)	*52,205,000*
NTA per Share (cents) [(1)]	*10.1*
After completion of the Proposed Transactions	
Adjusted NTA (S$)	*83,205,000*
Adjusted NTA per Share (cents) [(2)]	*6.3*

Note:
(1) *Based on 515,601,215 Shares in issue as at the Latest Practicable Date.*
(2) *Based on 1,310,473,010 Shares in issue after completion of the Proposed Transactions and ignoring any gain from the waiver of the accrued interest and redemption premium due on the Existing KSE Bonds."*

For illustrative purposes only, we note from the table above that the loss per Share attributable to Shareholders ("**LPS**") of the Group would reduce from approximately 3.5 S$ cent for FY2017 to

approximately 1.2 S$ cent after completion of the Proposed Transactions. The Group's NTA would decrease from approximately 10.1 S$ cent as at 31 December 2017 to approximately 6.3 S$ cent after completion of the Proposed Transactions.

We wish to highlight that as set out in Section 6.2 (b), following completion of the Proposed KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the Group's total borrowing (including bank overdraft) would be reduced from approximately S$383.8 million as at 31 December 2018 to approximately S$350.4 million, on a pro-forma basis. In addition, the Management represented and confirmed that following completion of the Proposed KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the shareholders' equity of the Group would improve from approximately negative S$10.3 million as at 31 December 2018 to approximately positive S$23.1 million, on a pro-forma basis. As such, the gearing of the Group would be approximately 15.2 times, on a pro-forma basis.

(c) Alternative source of funding

The Directors and the Management had represented and confirmed to us that attempts have been made to refinance the Existing KSE Bonds and/or the Group's other loans. However, given the Group's existing weak financial performance and position (in particular, the losses incurred in past 3 financial years being FY2016, FY2017 and FY2018 and the net current liabilities position of approximately S$18.3 million as well as the Net Liabilities and/or NTL of approximately S$10.3 million as at 31 December 2018) with material uncertainty relating to going concern as highlighted in the Independent Auditors' Report for FY2017 makes it difficult to seek any meaningful amount of external borrowing or refinancing from financial institutions or funds from rights issue or placement without a significant discount to the Share price.

As highlighted in Section 3.10 of the Circular, the rationale of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is to reduce the debt burden of the Group, eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group, provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow. As such, having considered the terms and benefits of the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders, the Board is of the view that the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is in the best interests of the Company.

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any alternative offers for funding or refinancing from other parties, which is comparable in nature, size and scope to the Proposed Transactions to refinance the Existing KSE Bonds through the issue of Consideration Shares.

(d) Watch-List status and implication

Pursuant to Rule 1315 of the Listing Manual, an issuer must take active steps to meet the requirements of Rule 1314. If the issuer fails to submit an application pursuant to Rule 1314 within 36 months of the date on which it was placed on the watch-list, the SGX-ST may either remove the issuer from the Official List, or suspend trading of the listed securities of the issuer (without the agreement of the issuer) with a view to removing the issuer from the Official List.

As announced by the Board on 4 June 2018, the SGX-ST placed the Company on the watch-list under financial criteria with effect from 5 June 2018. The deadline preceding the Latest Practicable Date for the Company to fulfil the requirements under Rule 1314 of the Listing Manual for its removal from the watch-list is 4 June 2021. We note from the Circular that as evident through the Proposed KSE Transactions, the Company has been actively taking steps to restore its financial health by reducing its debt obligations significantly and extinguishing significant liabilities, thereby striving towards meeting the requirements of Listing Rule 1314(1) within 36 months from 5 June 2018. Failing to do so would result in the SGX-ST delisting the Company or suspending trading in the Company's shares with a view to delisting the Company. We note from Section 3.11 of the Circular that the Group's LPS will be improved after the completion of the Proposed Transactions.

The Company announced on 3 June 2017 that the Company has been reassessed under the revised MTP rules announced on 2 December 2016. Pursuant to the Rule 1311(2) of the Listing Manual, the Company will continue to be placed on the watch-list with effect from 5 June 2017. The SGX-ST advised the Company to take active steps to meet the requirements of the Rule 1314(2) within 36 months from 5 June 2017, failing which the SGX-ST would delist the Company or suspend trading in the Shares with a view to delisting the Company. We note that the volume-weighted average price of the Shares was less than S$0.20 and the average daily market capitalisation of the Company was less than S$40 million for last 6 months preceding the Latest Practicable Date.

As required by Rule 1313(2), the Company will have to provide quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list, including where applicable its financial situation, its future direction, or other material development that may have a significant impact on its financial position. The Company shall also announce immediately any material development that occurs between the quarterly updates.

(e) Inter-conditionality of the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares

Shareholders should note that Ordinary Resolution 1 pertaining to the Proposed Disposal, Ordinary Resolution 2 pertaining to the Proposed Allotment and Issuance of 794,871,795 Consideration Shares to the Existing Bondholders, Ordinary Resolution 3 pertaining to the Proposed Issuance of 551,282,051 Consideration Shares to POEL as IPT and Ordinary Resolution 4 pertaining to the Proposed Allotment and Issuance of 243,589,744 Consideration Shares to HW as IPT (collectively, the "**Inter-conditional Resolutions**"), are inter-conditional upon each other. Accordingly, in the event that any of these Inter-conditional Resolutions is not approved, the other Inter-conditional Resolution would not be passed.

(f) Implication of POEL's controlling interest in the Company

Shareholders should note that POEL's interest in the Company will increase from approximately 59.79% to approximately 65.59% after completion of the Proposed Issuance of Consideration Shares to the Existing Bondholders. Thus, prior to the Proposed Issuance of Consideration Shares, POEL has already been in a position to exercise statutory control, and in addition Shareholders should note that the aggregate interest of POEL and HW in the Company will increase from approximately 63.78% to approximately 85.75% after completion of the Proposed Issuance of Consideration Shares to the Existing Bondholders. Thus, POEL and HW together will be in position to exercise super majority control (aggregate shareholding exceeding 75% upon issuance of the Consideration Shares).

Shareholders should note that the shareholdings of the existing Independent Shareholders will be significantly diluted from approximately 36.22% to approximately 14.25%. As such, existing Independent Shareholders' ability to influence the outcome of any resolutions tabled in a general meeting will be affected after issuance and allotment of the Consideration Shares.

Statutory control will facilitate POEL's ability to be able to pass all ordinary resolutions on matters in which the POEL do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company, whilst super majority control will facilitate POEL and HW (in situations where they are both deemed as interested persons) abilities to be able to pass all ordinary and special resolutions on matters for which the POEL and HW do not have an interest in and which are tabled for Shareholders' approval at general meetings to be convened by the Company.

(g) Material Litigation

As announced on 26 January 2018, the Company has been notified by Mr Kris Taenar Wiluan, the Chairman and Chief Executive Officer of the Company and Mr Richard James Wiluan. the Executive Director of the Company, that on 26 January 2018, leave was granted by the Singapore High Court to Actis Excalibur Limited ("**Actis**") to bring a derivative action against both of them (the "**Intended Derivative Action**") on behalf of (i) KS Distribution, (ii) Aqua-Terra Oilfield Equipment & Services Pte. Ltd. ("**ATOES**") and (iii) SSH Corporation Ltd ("**SSH**") (collectively, the "**KSD Entities**") for alleged breaches of fiduciary duties and directors' duties.

On 14 February 2018, the Company announced that Actis has on 13 February 2018 served a Writ of Summons on the Wiluans and the Wiluans have on 9 February 2018 filed an appeal against the Singapore High Court's decision to grant leave.

Subsequently, as announced on 19 October 2018, the Company has on 19 October 2018 entered into a mutual release deed ("**Deed of Mutual Release**") with the Wiluans, Actis and KSD Entities (collectively, the "**Parties**"). Based on the Deed of Mutual Release, the Parties agree and undertake to take all necessary steps to discontinue and/or withdraw all legal proceedings. On 11 December 2018, the Company announced that the effective date in respect of the Deed of Mutual Release is 10 December 2018. On 21 December 2018, the Company announced that Actis have duly discontinued the derivative action commenced against the Wiluans on behalf of the KSD Entities and the Wiluans have withdrawn the appeal filed against the Singapore High Court decision to grant leave.

Save as disclosed above, the Directors and Management have represented and confirmed that as at the Latest Practicable Date, none of the Company or its subsidiaries is engaged in any material litigation, either as plaintiff or defendant, which might materially and adversely affect the financial position of the Company or the Group, taken as a whole, and the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company or the Group, taken as a whole.

(h) Moratorium

As highlighted in Section 3.9 of the Circular, the Existing Bondholders irrevocably and unconditionally undertakes not to, directly or indirectly:-

(i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, hypothecate, grant security over, encumber, transfer or otherwise dispose of, any of or any interest in, the Consideration Shares;

(ii) enter into any swap, hedge, or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Consideration Shares;

(iii) enter into any transaction (including a derivative transaction) or other arrangement with a similar economic effect to the foregoing sub-paragraph (a) or (b);

(iv) deposit any of the Consideration Shares in any depository receipt facility;

(v) enter into a transaction which is designed or which may reasonably be expected to result in any of the above; or

(vi) publicly announce any intention to do any of the above,

for three (3) calendar months from the date of listing of the Consideration Shares on the SGX-ST.

(i) Abstention from Voting and Recommendation

Pursuant to Rule 812(1) of the Listing Rules, an issuance of shares to a restricted person as defined under Rule 812(1) of the Listing Rules is subject to speicifc shareholder approval, and the restricted person and his Associates must abstain from voting on the resolution approving the issuance of Shares to the restricted person under Rule 812(2) of the Listing Rules. Accordingly, the Existing Bondholders will abstain, and will ensure that their Associates will abstain, from voting on the Proposed Issuance of Consideration Shares to HW and the Proposed Issuance of Consideration Shares to POEL. Further, Rule 919 of the Listing Manual requires that interested persons and their Associates must not vote on any Shareholders' resolution approving any interested person transactions nor accept appointments as proxies unless specific instructions as to voting are given.

Proposed Issuance of Consideration Shares to POEL

We note from Section 4.8 of the Circular, each of POEL, Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders and Ordinary Resolution 3 in relation to the Proposed Issuance of Consideration Shares to POEL as an interested person transaction.

For the avoidance of doubt, HW (as an Associate of POEL), will also abstain from voting on Ordinary Resolution 3 in relation to the Proposed Issuance of Consideration Shares to POEL as an interested person transaction.

Based on the foregoing, the aggregate shareholding interests of the interested persons and their Associates that will abstain from voting on the Ordinary Resolutions represent approximately 63.78% of the issued share capital of the Company as at the Latest Practicable Date.

Proposed Issuance of Consideration Shares to HW

We also note from Section 4.8 of the Circular that each of HW, Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders and Ordinary Resolution 4 in relation to the Proposed Issuance of Consideration Shares to HW as an interested person transaction.

For the avoidance of doubt, POEL (as an Associate of HW) will also abstain from voting on Ordinary Resolution 4 in relation to the Proposed Issuance of Consideration Shares to HW as an interested person transaction.

Based on the foregoing, the aggregate shareholding interests of the interested persons and their Associates that will abstain from voting on Ordinary Resolutions represent approximately 63.78% of the issued share capital of the Company as at the Latest Practicable Date.

Further, the interested persons and their Associates shall decline to accept appointment as proxies at the EGM unless the Shareholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution.

Abstention from Recommendation

We note from Section 4.9 of the Circular that Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being the interested Directors, have also abstained from making any recommendation to Shareholders on the Proposed KSE Bond Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares to the Existing Bondholders.

For the avoidance of doubt, Mr Samuel Paul Oliver Carew-Jones is regarded as a non-interested director as he is the son-in-law of Mr. Kris Taenar Wiluan, and does not fall within the definition of an "associate" pursuant to the Listing Manual (therefore, Mr Samuel Paul Oliver Carew-Jones does not have a deemed interest in POEL). As he is not an interested director, he need not abstain from voting and making a recommendation on the Ordinary Resolutions.

8. OPINION

In arriving at our recommendation, we have reviewed and examined the following factors summarised below as well as others elaborated elsewhere in our Letter which we have considered to be pertinent in our assessment of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs, including the views of and representations by the Directors.

Our recommendation or opinion is by no means an indication of the merits, prospects, financial performance and position of the Company or the ability of the Group to service its borrowings (both principal and interest payment) when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the proposed transactions.

We have not been furnished with any valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group (including without limitation, plant and equipment). We have relied on the Directors' confirmation that, *inter-alia,* the carrying amount of the rigs or assets held by the Group as at 31 December 2018 is appropriate and an impairment test in accordance with the relevant provision under the Singapore Financial Reporting Standards had been performed, where necessary, for the purpose of the unaudited financial statements for FY2018 as well as nothing has come to the Directors' attention which may render the audited financial statements for FY2017 and the unaudited financial statements for FY2018 to be false or misleading in any material aspect. Our views, recommendation and opinion are necessarily limited and subject to the matters stated in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale and benefits of the Proposed Issuance of Consideration Shares wherein we note from Section 3.10 of the Circular that the Proposed Issuance of Consideration Shares to the Existing Bondholders is undertaken to reduce the debt burden of the Group, eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group, provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow. The Directors believe that the Proposed Issuance of Consideration Shares in connection with the Proposed KSE Bond Purchase from the Existing Bondholders is in the best interests of the Company.

(b) The Group's weak historical financial performance (with *inter alia* gross losses and Adjusted Net Losses during FY2016 to FY2018) and financial position (with negative net working capital of approximately S$18.3 million and Net Liabilities of approximately S$10.3 million as at end of FY2018) with material uncertainty relating to going concern as highlighted in the Circular and the Independent Auditors' Report for FY2017.

(c) Statement of material uncertainty related to going concern in the Independent Auditors' Report for FY2017. We further note from the Circular that the material uncertainty related to the going concern is primarily due to three issues, namely: (i) uncertainty regarding the timing and extent of future charter contracts; (ii) uncertainty regarding the existing capital commitments of the Group; and (iii) uncertainty regarding the completion of the purchase of the Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares. The Proposed Transactions, if approved by the Shareholders, may address certain of the Group's material uncertainty related to the going concern to certain extent and would strengthen the Group's equity and improve its gearing profile.

(d) The assessment of the Proposed KSE Bond Purchase (as set out in Section 6.3 of this Letter) after taking into account, *inter-alia,* the following factors:-

    (i) The theoretical market value for each of the Existing Warrant is approximately 1.31 S$ cents for each of the Existing Warrant with approximately 2 years to maturity and the total value of all Existing Warrants is approximately S$858,050. Notwithstanding the theoretical market value, we note that the Existing Warrants were terminated and cancelled at no consideration as announced by the Company on 7 December 2018.

    (ii) The YTM for the Proposed KSE Bond Purchase (after taking into account the theoretical value of the Existing Warrants) is approximately 0.1%. We note that the

various YTM for the Proposed KSE Bonds Purchase as analysed in this Letter is substantially lower than: (a) the Original YTM and the Adjusted YTM for the Existing KSE Bonds pursuant to the Original Bond Purchase Agreement; (b) the Singapore Prime Lending Rate for the month January 2018 to February 2019; (c) the Group's WACC; and (d) the interest rates for the Group's bank loan as at 31 December 2018 (comprising the short-term borrowings from POEL, the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2).

(e) The assessment of the Issue Price (as set out in Section 6.4 of this Letter) after taking into account, *inter-alia*, the following factors:-

(i) The comparison of the Issue Price and the historical prices for the Shares:-

- a premium of approximately 11.4% over the last transacted price of 3.50 S$ cents per Share on the SGX-ST on 2 November 2018 (being the Last Trading Day for the Shares prior to the Announcement Date);

- a discount of approximately 1.2% and 1.3% from the VWCP for the Shares for the 12-month and 6-month periods prior to the Announcement Date;

- a premium of approximately 4.8% and 8.7% over the VWCP for the Shares for the 3-month and 1-month periods prior to and including the Announcement Date;

- a premium of approximately 55.9% over the VWCP for the Shares for the period commencing after the Announcement Date and ending on the Latest Practicable Date; and

- a premium of approximately 129.4% over the last transacted price of 1.70 S$ cents per Share on 22 March 2019, being the Latest Practicable Date.

(ii) The Issue Price is assessed in conjunction with the fact that the Group had Net Liabilities or NTL of approximately S$10.3 million as at 31 December 2018.

(iii) Comparison of the valuation of the Group as implied by the Issue Price with the Selected Comparable Companies. The valuation of the Group as implied by the Issue Price in terms of LTM PER and LTM EV/EBITDA are negative and not meaningful which are comparable to most of the Selected Comparable Companies (save for Petrovietnam). The valuation of the Group in terms of P/NAV and P/NTA (as implied by the Issue Price and based on the Group's NAV per Share and NTA per Share as at 31 December 2018) is negative and not meaningful in view of the negative equity attributable to owners of the Company of approximately S$10.3 million as at 31 December 2018. We also note that the valuation of the two (2) out of the four (4) Selected Comparable Companies in term of P/NAV and P/NTA are also negative and not meaningful.

(vi) Comparison with the Selected IPT Debt Conversion which shows that the premium of approximately 11.4% as implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date is within the range of the Selected IPT Debt Conversions and more favourable than the median and simple average for the Selected IPT Debt Conversions. In addition, the Group had Net Liabilities and/or NTL of approximately S$10.3 million as at 31 December 2018. Hence, the comparison and analysis of the Issue Price and the Group's Net Liabilities and/or NTL per Share may not be meaningful when compared with the Selected IPT Debt Conversions.

(f) The potential financial effects of the Proposed Transactions as outlined in Section 3.11 of the Circular and Section 6.2(b) of this Letter. We wish to highlight that based on the proforma financial effects the Proposed Transactions will lead to an improvement in the Group's loss per Share but the Proposed Transactions will result in lower NTA per Share. It is noted that following completion of the Proposed KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the Group's total borrowing would be reduced

from approximately S$383.8 million as at 31 December 2018 to approximately S$350.4 million, on a pro-forma basis. The Management represented and confirmed that following completion of the Proposed KSE Bonds Purchase from the Existing Bondholders and the Proposed Issuance of Consideration Shares, the shareholders' equity of the Group would improve from approximately negative S$10.3 million as at 31 December 2018 to approximately positive S$23.1 million, on a pro-forma basis. As such, the gearing of the Group would be approximately 15.2 times, on a pro-forma basis.

(g) The dilutive impact of the Proposed Issuance of Consideration Shares, as set out in Section 7 of this Letter, on the percentage of shareholding interest of existing Independent Shareholders and the reduction in the voting interest in the Company pursuant to the Proposed Issuance of Consideration Shares which we have viewed in conjunction with the fact that the dilution impact of the Proposed Issuance of Consideration Shares is within the range of the Selected IPT Debt Conversions and the rationale for the Proposed Transactions (being: (i) reduction the debt burden of the Group and eliminate the need for any cash repayment, and (ii) enabling the Company to increase its liquidity).

(h) Confirmation and representation from the Directors that despite all the efforts that have been made by Directors and Management to refinance the Existing KSE Bonds, they are not aware of any alternative funding offer or refinancing available to the Company as at the Latest Practicable Date, which is comparable in nature, size and scope to the Proposed Transactions.

(i) Other relevant considerations as set out in *inter alia* Section 7 of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints *inter-alia* there being no valuation reports for plant and equipment etc.) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, on balance, the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs are **ON NORMAL COMMERCIAL TERMS, and NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders.

We consider the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs to be, on balance, **ON NORMAL COMMERCIAL TERMS**, from a financial point of view after factoring, *inter-alia*, the following:-

(i) The Proposed KSE Bond Purchase from the Existing Bondholders appears to be favourable to the Company after taking into account, *inter-alia,* the following: (a) notwithstanding the theoretical market value as ascribed in this Letter, the Existing Warrants were terminated and cancelled at no consideration as announced by the Company; (b) the various YTMs for the Proposed KSE Bonds Purchase as described in this Letter is substantially lower than the Original YTM and the Adjusted YTM for the Existing KSE Bonds pursuant to the Original Bond Purchase Agreement; the Singapore Prime Lending Rate for the periods mentioned in this Letter; (c) the Group's WACC; and (d) the interest rates for the Group's bank loan as at 31 December 2018 (comprising the short-term borrowings from POEL, the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2).

(ii) The Issue Price for the Consideration Shares is relatively in line with or more favourable than the historical market prices for the Shares considering, *inter-alia*, (a) the Issue Price is at premium of approximately 11.4% from the last transacted price for the Shares on the Last Trading Day prior to the Announcement Date; (b) the Issue Price is at discount of approximately 1.2% and 1.3% from the VWCP for the Shares for the 12-month and 6-month periods prior to the Announcement Date respectively; (c) the Issue Price is at a premium of approximately 4.8% and 8.7% over the VWCP for the Shares for the 3-month and 1-month periods prior to the Announcement Date; and (d) the Issue Price is at a premium of approximately 55.9% over the VWCP for the Shares for the period commencing on the Market Day immediately after the Announcement Date and ending on Latest Practicable Date. It is also noted that the Issue Price is at premium of approximately 129.4% over the last transacted price of 1.70 S$ cents per Share on SGX-ST on 22 March 2019, being the Latest Practicable Date.

(iii) Fair comparison of the valuation of the Group as implied by the Issue Price with the Selected Comparable Companies after taking into account the financial performance and position of the Group vis-à-vis the Selected Comparable Companies and the assessment of the Issue Price considering the Group's Net Liabilities and/or NTL position.

(iv) Fair comparison with the Selected IPT Debt Conversions – in particular, the premium of approximately 11.4% as implied by the Issue Price from the last transacted price for the Shares prior to the Announcement Date is within the range, and more favourable than the simple average and the median of the Selected IPT Debt Conversions. We also note that in terms of the size, the Proposed Issuance of Consideration Shares is within the range for the Selected IPT Debt Conversions.

We considered the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs to be **NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders, from a financial point of view after factoring, *inter-alia*, the following:

(i) The potential favourable financial effects of the Proposed Transactions on the Group's LPS, equity and gearing position as outlined in Section 3.11 of the Circular and Section 6.2(b) of this Letter where applicable.

(ii) The Group's weak historical financial performance (with gross losses and Adjusted Net Losses during FY2016 to FY2018) and financial position (with negative net working capital of approximately S$18.3 million and Net Liabilities of approximately S$10.3 million as at end of FY2018) with material uncertainty relating to going concern as highlighted in the Circular and the Independent Auditors' Report for FY2017.

(iii) The Directors' view that the Proposed Transactions are in the best interest of the Company in view of, *inter-alia*, (a) the Proposed Transactions help to reduce the debt burden of the Group; (b) the Proposed Transactions will eliminate the need for any cash repayment or payment in view of the current financial and cash position of the Group; (c) the Proposed Transactions will provide for some level of stability to the Group and alleviate pressures faced by the Group on its cash flow.

(iv) The Directors' confirmation and representation that:-

- As at the Latest Practicable Date, they are not aware of any alternative offers for funding or refinancing from other parties, which is comparable in nature, size and scope to the Proposed Transactions to refinance the Existing KSE Bonds through the issuance of the Consideration Shares.

- The material uncertainty related to the going concern is primarily due to three issues, namely: (i) uncertainty regarding the timing and extent of future charter contracts; (ii) uncertainty regarding the existing capital commitments of the Group; and (iii) uncertainty regarding the completion of the purchase of the Existing KSE Bonds from the Existing Bondholders and the Proposed Issuance of Consideration Shares. The Proposed Transactions, if approved by the Shareholders, may address the Group's material uncertainty related to the going concern to certain extent and would strengthen the Group's equity and improve its gearing profile.

Recommendation

Based on our assessment of the financial terms of the Issuance of Consideration Shares to the Existing Bondholders as IPTs as set out above, from a financial point of view, we advise the Non-Interested Directors to recommend that Independent Shareholders vote in favour of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs to be proposed at the EGM. We advise the Non-Interested Directors to highlight to Independent Shareholders the matters as stated in our Letter, including, *inter-alia*, the limitation in analysis, evaluation, comments and opinion in this Letter. We advise the Non-Interested Directors to recommend Independent Shareholders to exercise caution in their decision in voting in favour of or against the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group. The opinion set forth herein is based solely on publicly available information and information provided by the Directors and Management and therefore does not reflect any projections or future financial performance of the Company or the Group after the completion of the proposed transactions and is based on the economic and market conditions prevailing as of the date of this opinion. Our advice is solely confined to our views on the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

(1) The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the future financial performance or position of the Company or the Group subsequent to the completion of the proposed transactions (including, *inter-alia,* the Proposed KSE Bond Purchase from POEL and HW and the Proposed Issuance of Consideration Shares as Interested Person Transactions) or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions (including, *inter-alia,* the Proposed KSE Bond Purchase from POEL and HW and the Proposed Issuance of Consideration Shares as Interested Person Transactions) can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed Transactions as Interested Person Transactions or the ability of the Group to service all its existing borrowings (both principal and interest payment) when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the Proposed Transactions.

(2) Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group (including without limitation, plant and equipment etc.) or contracts entered into by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, plant and equipment etc.) including, *inter-alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment. In addition, our views or opinion or recommendation(s) are from a financial point of view. We do not express any views or opinions or recommendations on the legal, operational and compliance risk and future financial performance of the Group; ability of the Group to service its existing borrowings; adequacy of the working capital; and the ability to continue as a going concern of the Group.

(3) The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the Company's announcements on the SGX-NET, the unaudited financial statements for the Group for FY2018 and the audited financial statements for the Group for FY2017, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

Specific objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Non-Interested Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments or his or their specific investment objectives or portfolio should consult his or

their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to the Circular in accordance with the instructions printed thereon as soon as possible and, in any event, *inter-alia,* so as to reach the registered office of the Company at 19 Jurong Port Road, Singapore 619093 not less than forty-eight (48) hours before the time fixed for holding the EGM. The completion and lodgement of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least seventy-two (72) hours before the EGM. Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any Proxy Form.

In addition, Independent Shareholders are advised to read Section 8 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter is prepared pursuant to Rule 921(4) of the Listing Manual of the SGX-ST and addressed to the Non-Interested Directors in connection with and for the sole purpose of their evaluation of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs and/or at the forthcoming EGM. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as disclosed herein, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply. Nothing herein shall prevent or exclude Shareholders from relying on this Letter in connection with the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs, whether pursuant to the Contracts (Rights of Third Parties) Act Chapter 53B of Singapore or otherwise.

The recommendations made by the Non-Interested Directors to the Independent Shareholders in relation to the Proposed Issuance of Consideration Shares to the Existing Bondholders as IPTs as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Non-Interested Directors and the Directors respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

NOTICE OF EXTRAORDINARY GENERAL MEETING

KS ENERGY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 198300104G)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of KS Energy Limited (the "**Company**") will be held at 19 Jurong Port Road, Singapore 619093 on Thursday, 18 April 2019 at 4.00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

*All capitalised terms in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 3 April 2019 (the "**Circular**").*

Shareholders should note that the approval of Resolutions 1, 2, 3 and 4 are inter-conditional. In the event that either of Ordinary Resolution 1 or 2 or 3 or 4 is not passed, the other ordinary resolution 1 or 2 or 3 or 4 (as the case may be) will also not be passed.

AS ORDINARY BUSINESS

ORDINARY RESOLUTION 1:

THE PROPOSED DISPOSAL OF KS DISTRIBUTION PTE. LTD. THROUGH THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF KS RESOURCES PTE. LTD. (THE "PROPOSED DISPOSAL")

THAT:

(a) approval be and is hereby given for the disposal of all the shares in the issued share capital of KS Distribution through the disposal of the entire issued share capital of KS Resources Pte. Ltd. further details of which are set out in the Circular dated 3 April 2019; and

(b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 2:

THE PROPOSED ALLOTMENT AND ISSUANCE OF 794,871,795 NEW ORDINARY SHARES IN THE CAPITAL OF KS ENERGY LIMITED TO THE EXISTING BONDHOLDERS IN CONNECTION WITH THE PROPOSED KSE BOND PURCHASE FROM THE EXISTING BONDHOLDERS

THAT:

(a) approval be and is hereby given for the allotment and issuance of 794,871,795 Consideration Shares to the Existing Bondholders in connection with the Proposed KSE Bond Purchase from the Existing Bondholders; and

(b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 3:

THE PROPOSED ISSUANCE OF 551,282,051 CONSIDERATION SHARES TO POEL (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE "PROPOSED ISSUANCE OF CONSIDERATION SHARES TO POEL") WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

THAT:

(a) approval be and is hereby given for the allotment and issuance of 551,282,051 Consideration Shares to POEL, a restricted placee pursuant to Rule 812(1) of the Listing Manual, which constitutes an interested person transaction under Chapter 9 of the Listing Manual, and such other transactions contemplated thereunder; and

(b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 4:

THE PROPOSED ISSUANCE OF 243,589,744 CONSIDERATION SHARES TO HW (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE "PROPOSED ISSUANCE OF CONSIDERATION SHARES TO HW") WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL

THAT:

(a) approval be and is hereby given for the allotment and issuance of 243,589,744 Consideration Shares to HW, a restricted placee pursuant to Rule 812(1) of the Listing Manual, which constitutes an interested person transaction under Chapter 9 of the Listing Manual, and such other transactions contemplated thereunder; and

(b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Lai Kuan Loong Victor
Company Secretary
3 April 2019

Notes:

1. A member of the Company, who is not a Relevant Intermediary (as defined below), is entitled to appoint not more than two (2) proxies to attend, speak and vote at the Extraordinary General Meeting (the "**EGM**"). A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf.

2. A member who is a Relevant Intermediary (as defined below) is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number and class of shares shall be specified).

   "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50 of Singapore.

3. A proxy need not be a member of the Company.

4. The duly executed instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 19 Jurong Port Road, Singapore 619093, not less than forty-eight (48) hours before the time fixed for holding the EGM.

5. The instrument appointing a proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

6. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore) maintained by The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

KS ENERGY LIMITED

(Company Registration Number: 198300104G)
(Incorporated in the Republic of Singapore)

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "**Act**"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Extra ordinary General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("**CPF Investors**"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Extraordinary General Meeting.

EXTRAORDINARY GENERAL MEETING

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We _____ (Name), _____ (NRIC/Passport No.)

of _____ (Address),

being a member/members* of **KS ENERGY LIMITED** (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport No	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No	Proportion of Shareholdings	
			No. of Shares	%

or falling the person or either both of the persons referred to above, the Chairman of the Extraordinary General Meeting of the Company ("**EGM**"), as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the EGM to be held at 19 Jurong Port Road, Singapore 619093 on Thursday, 18 April 2019 at 4.00 p.m., and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matters arising at the EGM and at any adjournment thereof.

The resolution put to the vote of the EGM shall be decided by the way of poll. Please indicate the number of votes as appropriate.

**Delete as appropriate.*

No.	Ordinary Resolution	Number of votes FOR	Number of votes AGAINST
1.	To approve the Proposed Disposal		
2.	To approve the Proposed Issuance of 794,871,795 Consideration Shares to the Existing Bondholders		
3.	To approve the Proposed Issuance of Consideration Shares to POEL as an interested person transaction under Chapter 9 of the Listing Manual		
4.	To approve the Proposed Issuance of Consideration Shares to HW as an interested person transaction under Chapter 9 of the Listing Manual		

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" in the relevant box provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please insert the relevant number of shares in the relevant boxes provided below. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM.)

Dated this _____ day of _____ 2019.

Total number of Shares held in:	
(a) CDP Register	
(b) Register of Members	

_____

Signature of member(s) or common seal
of corporate shareholder

*Delete accordingly

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company (other than a Relevant Intermediary) entitled to attend and vote at the EGM is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member of the Company (other than a Relevant Intermediary) appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member of the Company who is a Relevant Intermediary entitled to attend the EGM and vote is entitled to appoint more than two (2) proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number and class of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's registered office at 19 Jurong Port Road, Singapore 619093 not less than forty-eight (48) hours before the time appointed for the EGM.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 3 April 2019.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

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