KS ENERGY LIMITED

An Integrated Energy Services Hub



INTEGRATING EXPERTISE & CONFIDENCE ENSURED RELIABILITY

ANNUAL REPORT **2014**

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CORPORATE PROFILE

A GLOBALLY ACCREDITED AND INTEGRATED **OIL & GAS SERVICES PROVIDER**

KS Energy Limited (the "Company"), its subsidiaries and associated companies (the "Group") are together an integrated one-stop services provider to the global oil and gas, marine and petrochemical industries. Headquartered in Singapore, the shares of the Company are traded on the Main Board of SGX-ST, part of the Singapore Exchange.

The core activities of the Group are capital equipment charter, the provision of drilling and rig management services, and specialised engineering and fabrication.

The Group's principal operating segment is held under its 80% owned subsidiary, KS Drilling Pte Ltd ("KS Drilling"). KS Drilling is an internationally accredited drilling and drilling rig management company, providing capital equipment, rig management and drilling services directly to major oil companies for their onshore and offshore production needs.

The Group's distribution business is held by its jointly controlled entity, KS Distribution Pte Ltd, which represents more than 300 globally accredited brands and distributes more than 60,000 line items.

The Group's other operating segment is held under the wholly owned subsidiary, KS Fabrication and Engineering Pte Ltd, which provides customised engineering and fabrication services to a wide range of companies in the oil and gas industry with customers spanning from the Americas to Asia.

The Group's most recent new business development called "KS Resources", is focused on resource-related projects and caters to power plants, geothermal and various energy-related projects.



CHAIRMAN'S MESSAGE
TO SHAREHOLDERS



DEAR SHAREHOLDERS,

Our financial year ending 31 December 2014 ("FY2014") started with oil priced at more than US$100 per barrel, and general optimism about continuing recovery in the global economy.

During the first six months of FY2014, oil and gas activities were according to expectations, as oil stayed above US$100 per barrel.

However, in the second half of FY2014, the situation changed; by year's end the price of oil had dropped to about half the level at the beginning of the year, because of demand concerns and excessive oil supply. Given the uncertain market conditions, we have focused even more on our core competencies and on working closely with our key customers.

During FY2014, we saw three changes in the composition of the Board of Directors.

Firstly, Richard Wiluan was appointed as an Executive Director from 1 May 2014, following seven years of service in our distribution businesses, which he continues to lead.

Secondly, Chew Choon Soo was appointed an Independent Director and a member of our Remuneration Committee from 1 November 2014.

I welcome both new directors to the Board and I am confident that their diverse experiences will significantly add to the Board's strength.

Thirdly, Independent Director Ernest Seow Teng Peng decided not to stand for re-election at the Annual General Meeting on 29 April 2014. On behalf of the Board, I thank Mr Seow for his contributions during his service.

FY2014 FINANCIAL PERFORMANCE

KS Energy Limited and its subsidiaries (the "Group") reported a net profit after tax of $46.4 million, versus a net profit after tax of $0.5 million in the previous corresponding period ("FY2013"). From this result, the amount attributable to shareholders of the Company rose to $30.1 million from $23,000 in FY2013.

Revenues this past year totalled $227.3 million, an increase of 40.5% over revenues of $161.8 million in FY2013. The increase was generated by our Drilling business and was mainly due to the contribution from

CHAIRMAN'S MESSAGE TO SHAREHOLDERS



Mr Wiluan delivering his Opening Address at the KS Energy Group's Dinner & Dance 2015 to celebrate SG50 on 27 February 2015



Mr Wiluan and his team welcoming the "Year of the Goat" on 4 March 2015

a new jack-up rig, the *KS Java Star 2*, which was delivered in April 2014.

Our cash position improved, with $78.2 million of cash and cash equivalents as at 31 December 2014, compared to $43.2 million a year earlier.

In June 2014, we sold a rig which we had ordered in May 2011. After carefully weighing our options, we concluded that it was better to release this rig, which was delayed and not yet delivered, despite having earlier intended it to be part of our longer term fleet. To better position the Company for long term revenue growth prospects in the changing market, we have replaced it with another high specification rig, which will be delivered at the end of 2016.

CUSTOMER RECOGNITION

I was pleased to learn that our Drilling business earned a number of awards and accolades from its customers during the year. Chevron Indonesia awarded our rigs "Rig of the Month" numerous times, and ExxonMobil extended appreciation for our management of their drilling programme in Cepu, Indonesia. In addition, our Drilling business was listed among "Singapore's Top 1000 Companies" by DP Information Group.

OUTLOOK

In the new financial year, the operating landscape will remain challenging for all our business segments. The lower oil prices that have impacted the global oil and gas industry will also affect us. However, having seen a number of cycles in this industry, I still believe that in the long term, the economic fundamentals remain positive for oil and gas service companies.

APPRECIATION

On behalf of the Board, I thank shareholders for continuing to support us. We also express our gratitude to all our customers, employees, suppliers, bankers, business associates, and management for their trust in us. I look forward to your continuing support in the new financial year.

Yours Sincerely,

Kris Taenar Wiluan
Executive Chairman and
Chief Executive Officer
27 March 2015

OPERATIONS REVIEW

OUR TRACK RECORD AND EXPERIENCE IN BOTH THE DRILLING AND DISTRIBUTION BUSINESSES OVER THE YEARS HAVE GIVEN US STRONG CREDENTIALS TO SECURE MORE PROJECTS IN THE REGION'S GROWING OIL AND GAS INDUSTRY.

The main activities of the Group are the provision of drilling and rig management services, specialised engineering and fabrication services and the distribution of parts and components. KS Energy Limited is an investment holding company. The revenue of the Group is principally generated by KS Drilling Pte Ltd which provides drilling and rig management services and accounts for 92% of the Group's consolidated revenue in 2014. Since 2013, the financial results of KS Distribution Pte Ltd have not been consolidated in the financial statements of the Group as a subsidiary but instead, the Group recognises its interest in the joint venture using the equity method under Singapore Financial Reporting Standards.

KS DRILLING PTE LTD

2014 proved to be a busy and fruitful year for KS Drilling Pte Ltd ("KS Drilling"), as we focused on improving our internal policies, processes and procedures which we have established in our company management system. Through close monitoring of our system and procedures implementation, we managed to achieve improvements in key areas of operations excellence: reduction in rig downtime, better safety record than industry benchmark, higher efficiency and in the end we achieved better financial results in terms of revenue and net profits.

In April 2014, we took delivery of a new Friede & Goldman designed Super M2 category jack-up drilling rig, named the KS Java Star 2, from Shanghai Zhenhua Heavy Industries ("ZPMC"). Constructed at a cost of US$165.5 million, the rig was subsequently deployed in Vietnam for an initial contract valued at US$58 million and it delivered strong safety and operational performance in 2014 with an uptime of 98.8%. Following this success, we entered into a new contract for the construction and delivery of one new build Friede & Goldman designed JU-2000E category jack-up drilling rig costing approximately US$199.2 million with ZPMC, due for delivery at the end of 2016.



OPERATIONS REVIEW

Construction works on our new build LeTourneau 240-C jack-up drilling rig, the KS Orient Star 2, is close to completion and the rig is scheduled for delivery in 2015. The rig was expected to be delivered in 2014 but has been delayed leading to an overrun in our project management costs compared to our original estimates. Therefore the total capital expenditure is expected to exceed the US$194 million originally announced.

During the year we encountered a one-month disruption to our drilling operations in Kurdistan. Due to the unrest and restricted access to the work-site for security reasons, one of our clients declared an event of Force Majeure in August 2014 and issued a notice of termination of the contract. We monitored the situation closely and eventually conducted a safe evacuation of our personnel according to our existing procedures. When the situation improved, operations were promptly restarted and we were ultimately able to carry out the required operations and conclude the contract with our client as planned. This is a testament to the well-developed safety and operational processes that we have in place.

Indonesia continues to be a key area of operations for KS Drilling, contributing approximately 37% of total revenues of the group. Our jack-up rig named KS Java Star; two land rigs named KS Discoverer 6 and KS Discoverer 7; and four work-over rigs have delivered strong performances in operational and safety records. This led us to receive multiple accolades from our clients such as Pertamina and Chevron Indonesia, and we will strive to maintain this strong performance. In addition, KS Discoverer 8 and KS Discoverer 9, the two land rigs jointly-operated with Pertamina for Exxon Mobil Cepu, have maintained high efficiency, contributing towards tremendous overall cost savings and a reduction in the number of operating days for Exxon Mobil's Cepu drilling operations.

The recent decline in oil prices has resulted in a more challenging environment for all drilling contractors. Nevertheless, KS Drilling will continue to focus on operational excellence and we remain confident we can adapt and be well-positioned for success when the market eventually recovers.

KS DRILLING FLEET:

	Name of Rig	Type of Rig	Location
1	KS Orient Star 2	Jack-Up Rig	Under construction in China
2	KS Java Star	Jack-Up Rig	Indonesia
3	KS Java Star 2	Jack-Up Rig	Vietnam
4	KS Med Star 1	Jack-Up Rig	Egypt
5	KS Discoverer 1	Land Rig	Kurdistan
6	KS Discoverer 2	Land Rig	Tunisia
7	KS Discoverer 3	Land Rig	Pakistan
8	KS Discoverer 4	Land Rig	Kurdistan
9	KS Discoverer 6	Land Rig	Indonesia
10	KS Discoverer 7	Land Rig	Indonesia
11	KS Discoverer 8	Land Rig	Indonesia
12	KS Kopet 1	Work-Over Rig	Indonesia
13	KS Kopet 2	Work-Over Rig	Indonesia
14	KS Kopet 3	Work-Over Rig	Indonesia
15	KS Kopet 4	Work-Over Rig	Indonesia







OPERATIONS REVIEW





KS DISTRIBUTION PTE LTD

KS Distribution Pte Ltd's ("KSD") achieved a sales growth from $519.3m in FY 2013 to $522.6m in FY 2014. The current year results were driven by stronger project deliveries, steady demand from our key customers and increased market penetration in regional markets.

From an industry perspective, sales for FY 2014 were driven by demand from the region's oil and gas sector. The demand for drilling equipment, drill pipes, oilfield consumables, welding equipment and related steel materials drove this year's result. However, we continued to experience weakness in the region's marine industry.

From a geographical viewpoint, international markets contributed to 67% of the group sales, which amounted to a 7% year on year growth. Indonesia, Malaysia and Vietnam continue to deliver higher sales whereas Thailand underperformed due by political unrest in the first half of the year. China also saw reduced sales due to lower capital expenditure spending by customers.

Overall gross profits were $9.5m lower than last year due to increased competition across most product segments and higher contribution of project sales, which usually earn lower margins.

Operating expenses were $7.5m lower from $83.5m in FY 2013 to $76.0m in FY 2014. The implementation of productivity and cost reduction initiatives undertaken during the year enabled the group to realise savings in operating expenses. Current year's initiatives, such as successfully relocating part of our warehousing requirement from Singapore to Batam, mitigated the group's long term impact of rising rental costs in Singapore without compromising the high quality service required by customers. Continued review of our business processes also resulted in increased productivity and reduced staff costs.

The lower gross profits earned outstripped the improvements from cost savings so our profit after tax reduced from $7.0m in FY 2013 to $4.4m in FY 2014.





FINANCIAL REVIEW



YEAR ENDED 31 DECEMBER 2014

OVERVIEW

For the full year ended 31 December 2014 ("FY2014"), the Group posted consolidated revenue of $227.3 million (FY2013: $161.8 million). The $65.5 million increase in revenue was mainly due to a stronger contribution from the Drilling business following the commencement of charter contracts in Indonesia and Vietnam during FY2014.

REVENUE

Drilling Business:

Revenue from the Drilling business grew $65.5 million, or 45.5%, from $144.0 million in FY2013 to $209.5 million in FY2014. The revenue increase was mainly generated by the commencement of charter contracts in Indonesia and Vietnam during FY2014. Revenue contribution from the Drilling business makes up about 92.2% of the Group's consolidated revenue for FY2014.

Engineering Business:

Revenue from the Engineering business fell $0.9 million, or 10.2%, from $8.6 million in FY2013 to $7.7 million in FY2014. Revenue contribution from the Engineering business makes up about 3.4% of the Group's consolidated revenue for FY2014.

Others Segment:

Revenue generated by the Group but not attributable to either the Drilling segment or the Engineering segment grew $1.0 million, or 9.3%, from $10.4 million in FY2013 to $11.4 million in FY2014. Revenue contribution from this segment makes up about 5.0% of the Group's consolidated revenue for FY2014.

GROSS PROFIT

The Group's gross profit after direct depreciation was $65.0 million for FY2014, an increase of $30.6 million above that of $34.4 million reported for FY2013. The increase in gross profit after direct depreciation is mainly attributable to the higher revenue booked in the Drilling segment. The Group's gross profit margin improved from 21.2% in FY2013 to 28.6% in FY2014.

OTHER INCOME

Other Income increased $53.5 million from $3.1 million for FY2013 to $56.6 million for FY2014, mainly due to the gain on disposal of plant and equipment amounting to $54.1 million in FY2014. In addition to the gain on disposal of plant and equipment, Other Income mainly comprises management fees and other income that is not directly related to the revenue generated from our day-to-day operations.

OPERATING EXPENSES AND DIRECT DEPRECIATION

Administrative expenses increased $9.5 million from $28.3 million in FY2013 to $37.8 million in FY2014, mainly due to higher staff costs in the growing Drilling business.

Other Operating Expenses increased $17.2 million from $12.2 million in FY2013 to $29.4 million in FY2014, mainly due to impairment charges on property, plant and equipment amounting of $12.2 million in FY2014.

When capital equipment is off-hire, depreciation charges are allocated to Other Operating Expenses whereas when on-hire, depreciation charges are allocated to Direct Depreciation. Depreciation charges allocated to both Other Operating Expenses and Direct Depreciation totalled $56.1 million in FY2014 compared to $37.9 million in FY2013, an increase of $18.2 million. The $18.2 million increase is comprised of an $7.4 million increase attributable to the capital expenditure on property, plant and equipment incurred since last year and $10.8 million attributable to additional depreciation charges arising from revisions to our depreciation policies.

FINANCE INCOME AND COSTS

Finance Income decreased $0.7 million from $3.4 million in FY2013 to $2.7 million in FY2014, mainly due to lower interest income on a loan provided to a joint venture in December 2012 following loan repayments.

Finance Costs increased $5.0 million from $14.2 million in FY2013 to $19.2 million in FY2014. The increase in Finance Costs in FY2014 was mainly due to new secured term loan facilities obtained by the Drilling business this year.

SHARE OF RESULTS OF JOINT VENTURES

The Group's share of results from joint ventures decreased $7.5 million from a gain of $18.5 million in FY2013 to a gain of $11.0 million in FY2014, mainly due to a one-time gain arising from the sale of a jointly-owned asset in FY2013. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group"), before Group-

FINANCIAL REVIEW

level adjustments, decreased by $0.9 million from $3.4 million in FY2013 to $2.5 million in FY2014.

PROFIT BEFORE TAX

The Group's profit before tax increased by $44.2 million from $4.7 million for the year ended 31 December 2013, to $48.9 million for the year ended 31 December 2014. The increase was mainly due to the $53.5 million increase in Other Income.

Profitability by Business Segment:

	FY2014 S'000	FY2013 S'000
Drilling	68,334	13,968
Engineering	(905)	(1,941)
Distribution	1,882	2,796
Others	(20,381)	(10,166)
Consolidated Total	48,930	4,657

Drilling Business:

As a result of the deployment of an additional jack-up drilling rig and a gain on disposal of plant and equipment in FY2014, the profit before tax of the Drilling business increased $54.4 million compared to FY2013. The Drilling business segment was the main profit contributor to the Group in the current financial year.

Engineering Business:

Although revenues in the Engineering business decreased from $8.6 million for FY2013 to $7.7 million for FY2014, the margin earned was higher leading to a smaller loss before tax of $0.9 million for FY2014.

Distribution Business:

The Distribution business contributed a lower profit of $1.9 million for FY2014, compared to $2.8 million for FY2013 for the Group. Although revenues earned by the Distribution business increased slightly from $519.3 million for FY2013 to $522.6 million for FY2014, the gross profit margin slipped from 17.9% to 16.0% leading to a $9.5 million lower gross profit in FY2014 compared to FY2013. The Distribution business responded to the lower margins by reducing operating costs where possible. The profit after tax recorded by the Distribution business for FY2014 was $4.4 million, down $2.6 million from the $7.0 million reported for FY2013.

The Group's share of the profits made by the Distribution business was $2.5 million for FY2014 and $3.4 million for FY2013. The Group's charge for amortising a fair value adjustment related to the Distribution business was $0.6 million for both FY2014 and FY2013.

Others Segment:

The segment recorded a loss before tax of $20.4 million for FY2014, compared to a loss before tax of $10.2 million for FY2013. The bigger losses in FY2014 were mainly due to a $5.8 million decrease in the share of results from joint ventures (other than KS Distribution which is separately disclosed above); a $2.8 million increase in depreciation charges; and a $4.0 million increase in impairment charges. Costs reported in this segment include the finance costs on the convertible bonds issued by the Company and administrative expenses incurred in relation to overseeing of Group's operations.

RETURN ATTRIBUTABLE TO SHAREHOLDERS

The result attributable to the owners of the Group increased from a profit of $23,000 in FY2013 to a profit of $30.1 million in FY2014.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets increased 34.2% from $565.5 million as at 31 December 2013 to $758.9 million as at 31 December 2014. The increase was principally attributable to the acquisition of property, plant and equipment during the year.

Non-current assets mainly comprise of the plant and equipment of our Drilling business. The carrying value of Rigs and Vessels increased from $390.2 million as at 31 December 2013 to $568.2 million as at 31 December 2014.

Investments in joint ventures increased from $128.9 million as at 31 December 2013 to $144.5 million as at 31 December 2014 attributable mainly to the Group's share of results for the year. Investments in joint ventures comprise the Groups 55.35% equity interest in KS Distribution Pte Ltd, with a carrying amount of S$122.6 million as at 31 December 2014, and other joint ventures.

Total current assets increased 30.6% from $124.9 million as at 31 December 2013 to $163.1 million as at 31 December 2014. The increase in current assets was mainly due to higher trade receivables which increased $16.6 million from $47.9 million as at 31 December 2013 to $64.5 million as at 31 December 2014; and higher cash and cash equivalents which increased $35.0 million from $43.2 million as at 31 December 2013 to $78.2 million as at 31 December 2014.

Total liabilities increased $171.9 million from $305.1 million as at 31 December 2013 to $477.0 million as at 31 December 2014. This was principally attributable to the $170.9 million increase in borrowings from $242.9 million as at 31 December 2013 to $413.8 million as at 31 December 2014 arising mainly due to capital expenditure in FY2014.

FINANCIAL REVIEW

Current liabilities increased from $131.3 million as at 31 December 2013 to $174.0 million as at 31 December 2014, an increase of $42.7 million. This was principally attributable to the increase in current borrowings arising due to the reclassification of the 2015 Bonds from non-current to current liabilities and the current portion of the new secured term loan facilities obtained by the Drilling business this year.

The Group and Company has negative working capital of $11.0 million & $17.6 million respectively as at 31 December 2014. This is mainly attributable to convertible bonds due for redemption on 26 March 2015. Steps will be taken to improve the net current asset position of the Group.

The Group's net gearing (defined as net borrowings to equity) stood at 0.75 as at 31 December 2014 compared to 0.52 as at 31 December 2013.

Equity attributable to owners of the Company increased $41.7 million from $329.0 million as at 31 December 2013 to $370.7 million as at 31 December 2014. This increase was mainly due to favourable movements in foreign currency translation reserve and to profits earned during FY2014.

Capital Structure of the Group:

	FY2014 $'000	FY2013 $'000
Current Borrowings – Secured	94,121	70,046
Current Borrowings – Unsecured	22,018	3,639
Non-current Borrowings – Secured	249,891	106,838
Non-current Borrowings – Unsecured	47,724	62,389
Consolidated Total Borrowings	413,754	242,912
Cash and Cash Equivalents	78,210	43,166
Consolidated Net Borrowings	335,544	199,746
Shareholders' Equity	370,652	328,985
Non-controlling Interests	74,404	56,231
Total Equity	445,056	385,216
Net Gearing (Debt/Equity)	0.75	0.52

Secured borrowings are generally bank loans secured on plant and equipment and serviced using contract revenue from the plant and equipment.

Unsecured current borrowings increase from $3.6 million as at 31 December 2013 to $22.0 million as at 31 December 2014. The balance as at 31 December 2014 was principally due to an aggregate principal amount of $17,000,000 3.00% convertible bonds due in March 2015.

Unsecured non-current borrowings decreased from $62.4 million as at 31 December 2013 to $47.7 million as at 31 December 2014 mainly due to the reclassification of the aggregate principal amount of $17,000,000 3.00% convertible bonds due in March 2015 from non-current borrowings to current borrowings.

STATEMENT OF CASH FLOWS REVIEW

As at 31 December 2014, cash and cash equivalents amounted to $78.2 million (31 December 2013: $43.2 million), of which unpledged cash and cash equivalents amounted to $64.4 million (31 December 2013: $29.5 million).

CASH FLOW FROM OPERATING ACTIVITIES

Operating activities generated a net cash inflow of $53.9 million for FY2014. The net cash flow from Operating Activities comprised a cash inflow of $74.1 million arising due to operating profits before changes in working capital; a cash outflow of $17.0 million arising due to changes in working capital; and a cash outflow of $3.2 million arising due to income taxes paid.

CASH FLOW FROM INVESTING ACTIVITIES

Net cash flows used in investing activities amounted to $160.8 million for FY2014. This is attributable mainly to purchases of plant and equipment which generated a cash outflow of $288.7 million for FY2014, partially offset by decrease in non-trade receivables with joint ventures which generated a cash inflow of $7.0 million for FY2014 and proceeds from the disposal of plant and equipment which generated a cash inflow of $115.5 million.

CASH FLOW FROM FINANCING ACTIVITIES

Net cash flows used in financing activities amounted to $140.3 million for FY2014.

The aggregate repayment of bank loans by the Group during FY2014 totalled $72.0 million ($122.3 million for FY2013). The aggregate proceeds from new bank loans entered into by the Group during FY2014 totalled $233.6 million ($131.3 million for FY2013). Total interest paid by the Group increased from $10.9 million for FY2013 to $15.4 million for FY2014.

FINANCIAL HIGHLIGHTS

	2014	2013
FOR THE YEAR ($'000)		
Revenue	227,330	161,770
Gross Profit After Direct Depreciation	65,042	34,371
EBIT	68,090	18,864
Profit before Tax	48,930	4,657
Profit after Tax	46,411	512
Profit attributable to owners of the Company	30,128	23
EBITDA	136,938	57,260
Operating Cashflow	53,864	41,395
Capital Expenditure	288,724	97,627
AT YEAR END ($'000)		
Current assets	163,069	124,855
Non-current assets	758,941	565,470
Total assets	922,010	690,325
Current liabilities	174,048	131,289
Non-current liabilities	302,906	173,820
Equity attributable to owners of the Company	370,652	328,985
Non-controlling interests	74,404	56,231
Total Liabilities and equity	922,010	690,325
Cash and cash equivalents	78,210	43,166
KEY RATIOS		
Gross Profit Margin (%)	28.6%	21.2%
EBITDA Margin (%)	60.2%	35.4%
EBIT Margin (%)	30.0%	11.7%
Net Profit Margin (%)	20.4%	0.3%
Current Ratio (times)	0.94	0.95
Net Debt to Equity Ratio (times)	0.75	0.52
Net Assets Value Per Share (cents/share)	72.3	64.1

CORPORATE DATA

BOARD OF DIRECTORS

KRIS TAENAR WILUAN *Executive Chairman and Chief Executive Officer*

RICHARD JAMES WILUAN *Executive Director*

LIM HO SENG *Lead Independent Director*

BILLY LEE BENG CHENG *Independent Director*

WONG MENG YENG *Independent Director*

LAWRENCE STEPHEN BASAPA *Independent Director*

CHEW CHOON SOO *Independent Director*

AUDIT & RISK MANAGEMENT COMMITTEE

LIM HO SENG *Chairman*
WONG MENG YENG
BILLY LEE BENG CHENG

NOMINATING COMMITTEE

WONG MENG YENG *Chairman*
KRIS TAENAR WILUAN
LIM HO SENG
BILLY LEE BENG CHENG

REMUNERATION COMMITTEE

BILLY LEE BENG CHENG *Chairman*
LIM HO SENG
WONG MENG YENG
LAWRENCE STEPHEN BASAPA
CHEW CHOON SOO

COMPANY SECRETARIES

YEO POH NOI CAROLINE
TAN SAN-JU

REGISTERED OFFICE

19 Jurong Port Road
Singapore 619093
Tel: + 65 6577 4600
Fax: + 65 6577 4618
Website: www.ksenergy.com.sg
Company Registration No:
198300104G

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte Ltd)
80 Robinson Road #02-00
Singapore 068898

AUDITORS

KPMG LLP
Certified Public Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: LUCAS TRAN
Year of appointment: 2010

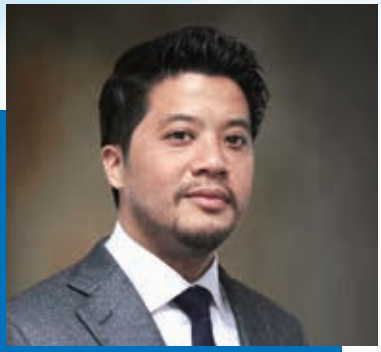
PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
PT Bank Mandiri (Persero) Tbk
Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

BOARD OF DIRECTORS



MR KRIS TAENAR WILUAN
Executive Chairman and
Chief Executive Officer



MR RICHARD JAMES WILUAN
Executive Director



MR LIM HO SENG
Lead Independent Director



MR BILLY LEE BENG CHENG
Independent Director



MR WONG MENG YENG
Independent Director



MR LAWRENCE STEPHEN BASAPA
Independent Director



MR CHEW CHOON SOO
Independent Director

BOARD OF DIRECTORS

MR KRIS TAENAR WILUAN is the Executive Chairman and Chief Executive Officer of KS Energy Limited. He is also the founder of the Citramas Group, a diversified group of businesses that he founded in 1980. The Citramas Group's business activities include oilfield equipment manufacturing, shipping and logistics, drilling services, infrastructure development comprising port and ferry terminals, hotels and an animation and film production company as well as other interests in the hospitality and leisure industry. Under the umbrella of the Citramas Group is the Indonesian public-listed PT Citra Tubindo Tbk – a manufacturer of tubular products for the oil and gas industry whose shares are quoted on the Jakarta and Surabaya Stock Exchanges, and 35 other subsidiaries with activities spanning different countries in the ASEAN region.

The Citramas Group provides employment to more than 3,000 employees across the region. In addition to his role as the President of the Citramas Group, Mr Wiluan is also the President Director of PT Citra Tubindo Tbk, and the Chairman of PT Citra Bonang, a Jakarta-based manufacturer and distributor of industrial chemicals and food products. PT Citra Bonang Group of companies has more than 50 branches throughout Indonesia and employs a workforce of more than 10,000 people.

A graduate from London University with a BSc Honours Degree in Mathematics and Computer Science, Mr Wiluan was awarded "CEO of the Year" by Bisnis Indonesia in 2007 and in the following year, he was named "The Best CEO 2008" by SWA magazine. In 2009, he was awarded "Entrepreneur of the Year" by Ernst & Young Indonesia, representing Indonesia in the EY Global Entrepreneur Hall of Fame.

MR RICHARD JAMES WILUAN was appointed as Executive Director of the Company on 1 May 2014. He is also the Director, Corporate Development of the Company, since July 2012.

He is an Executive Director of KS Distribution Pte Ltd ("KSD"), the concurrent Managing Director of its two subsidiaries, SSH Corporation Ltd and KS Flow Control Pte Ltd (the "Group"). He plays a key role in the expansion of our project-related business, dealing with major European and Asian pipe-mills and is responsible for the Group's business development initiatives. He is also instrumental in the implementation and review of the business operations within the Group for performance improvement and business expansion. Prior to joining the Group, he worked as a consultant in a European management consulting firm, focusing on restructuring solutions for multinational manufacturing companies.

Mr Richard Wiluan holds a BA (Honours) in Economics from the University of Nottingham.

MR LIM HO SENG was appointed as an Independent Director and subsequently the Lead Independent Director of the Company on 1 September 2005 and 1 May 2008, respectively. He is also the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and Nominating Committee of the Company.

He is the Chairman of Baker Technology Ltd. In the preceding 3-year period, he was an Independent Director of Kian Ann Engineering Ltd and Lippo-Mapletree Indonesia Retail Trust Management Ltd. Mr Lim was the former Chief Executive Officer of NTUC FairPrice Cooperative Ltd.

Mr Lim is a fellow member of the Institute of Singapore Chartered Accountants, the Institute of Certified Public Accountants Australia and the Association of Chartered Certified Accountants of United Kingdom. He is also a fellow member of the Institute of Chartered Secretaries & Administrators and the Singapore Institute of Directors.

BOARD OF DIRECTORS

MR BILLY LEE BENG CHENG was appointed as Independent Director of the Company on 15 April 2002. He is also the Chairman of the Remuneration Committee and the member of the Audit and Risk Management and Nominating Committees of the Company.

Mr Lee has extensive experience in the oil and gas and marine industries, having worked in the oil refining and petrochemical sectors, offshore drilling rig and platform construction including drilling several oil and gas wells both onshore and offshore in Asia. He held senior positions in several public-listed and private entities in the hydrocarbon industry in Singapore, Malaysia and China including Vice Chairman of the listed Shenzhen-Chiwan Petroleum Supply Base, Chairman of Singapore Offshore Petroleum Supply Base, President of Sembawang Marine & Logistics Ltd (formerly known as Sembawang Maritime Ltd), Managing Director of Hong Kong listed Promet Petroleum Ltd.

Mr Lee holds a First Class Honours Degree in Mechanical Engineering and a Master of Science from Leeds University, UK. He is also a member of the Singapore Institute of Management, the Institute of Engineers Singapore and the Singapore Institute of Directors.

MR WONG MENG YENG was appointed as Independent Director of the Company on 15 April 2002. He is also the Chairman of the Nominating Committee and the member of the Audit and Risk Management and Remuneration Committees of the Company.

Mr Wong has been an advocate and solicitor in Singapore since 1984 and practises corporate law. He is currently a director of Alliance LLC, a law corporation he co-founded in 2001. He is also an independent director of Multichem Ltd, Baker Technology Ltd and Keong Hong Holdings Ltd.

Mr Wong graduated from the National University of Singapore in 1983 with a Bachelor of Laws (Honours) Degree.

MR LAWRENCE STEPHEN BASAPA was appointed as Independent Director and a member of the Remuneration Committee of the Company on 1 June 2013.

Mr Basapa worked initially in journalism, covering such fields as Asian industrial developments for newspapers and international magazines. He then entered the hydrocarbons industry, working mainly for a multinational energy and petrochemicals conglomerate, which he served in various capacities in Asia Pacific and the USA for more than 20 years. He was also an Independent Director of SSH Corporation Limited from October 2005 until it was delisted pursuant to the integration of the distribution business of KS Energy Limited in 2010.

Mr Basapa has a BA in Economics and Political Science from the (then) University of Singapore, and did postgraduate studies in management with universities in Boston and San Diego.

MR CHEW CHOON SOO was appointed as Independent Director on 1 November 2014. He is also a member of Remuneration Committee of the Company.

Mr Chew has extensive experience in the Executive Search and Assessment Industry. During his 23 year tenure at Russell Reynolds Associates, he served in various senior capacities, including Co-head of Asia Pacific, Financial Services Leader and Managing Partner of the Singapore operations. Prior to this, Mr Chew spent 7 years in Banking.

Mr Chew has a BSc (Hons) in Economics and Accounting from Bristol University, UK, and holds a MBA in Finance from The Wharton School of the University of Pennsylvania, USA.

KEY MANAGEMENT

MR SAM PAUL OLIVER CAREW-JONES

Group Chief Financial Officer

Mr Carew-Jones has been with KS Energy since 2009 and was our Director of Treasury prior to his appointment as Group CFO in October 2012. He had over fourteen years' experience in the finance sector before joining KS Energy, including nine years in the banking industry with a major financial institution in Europe and the United States and four years in practice as an auditor in London. Mr Carew-Jones qualified as a chartered accountant in the United Kingdom in 1999 and graduated in 1995 with a bachelor's degree in Physics from Imperial College London.

DR ADAM PAUL BRUNET

Deputy Chairman of KS Drilling Pte Ltd

Dr Brunet has worked in the oil industry since he left college in 1977 and started work as a Field Engineer for Schlumberger S.A. in West Africa. In 1983 Dr Brunet was involved in establishing PT Citra Tubindo Tbk ("Tubindo") and was their Technical Director until 2013. From 2006 to 2010, Dr Brunet acted as an Executive Director of KS Energy focusing on the capital equipment division and later Managing Director of Oil, Gas and Energy Services. In January 2009, Dr Brunet was appointed as the Executive Director of KS Energy's subsidiary, Atlantic Oilfield Services Ltd and became its CEO on 1 May 2009. In 2011 Dr. Brunet became CEO of KS Drilling when it was formed in a merger of Atlantic Oilfield Services and the Capital Equipment Division of KS Energy, and was appointed as Deputy Chairman of KS Drilling in Sep 2013. Dr Brunet, a postgraduate from University of Oxford, is also an established academic who specialises in operations management.

MR JUMEIDI DIRWAN ALEXANDER

Chief Executive Officer of KS Drilling Pte. Ltd.

Mr Alexander was appointed as the CEO of KS Drilling Pte. Ltd ("KSDR") on 1 September 2013. He is responsible for leading the development and execution of KSDR's long and short terms plans in accordance with its strategy. He is also responsible for all day-to-day management decisions. He acts as a direct liaison between the Board and management of KSDR. Mr Alexander has been in the drilling industry for the past 19 years with a track record of successes in rig operations management. He started his career as a Trainee Engineer with Transocean/Schlumberger Sedco Forex in 1996. Prior to joining KSDR in December 2012, he was with Vantage Drilling where he last held the position of Director of Operations.

Mr Alexander graduated from the Institute Teknologi Bandung of Indonesia in 1996 with a Bachelor's Degree in Electrical Engineering, majoring in Computer Engineering, and further completed the Stanford-National University of Singapore Executive Program in 2012.

MR NICHOLAS LAURENT FOURNIER

Chief Operating Officer of KS Drilling Pte.Ltd.

Mr Fournier was appointed as the COO of KS Drilling Pte. Ltd ("KSDR") on the 1 September 2013. He is responsible for strategic business planning, implementation and KSDR operations management. Mr Fournier has been in the drilling industry for the past 19 years with a track record of successes in rig operations management. He started his career as Operations Engineer with Transocean/ Schlumberger Sedco Forex and prior joining KSDR has held various managerial positions with Transocean as Rig Manager, Operations Manager, Human Resources director and Indonesia General Manager.

Mr Fournier graduated from the University of Compiegne in 1994 with a Bachelor Degree in Mechanical Engineering and in 1995 with an officer rank (Lieutenant) from the French Army.

MS DIANA LENG

Chief Financial Officer of KS Drilling Pte Ltd

Ms Diana Leng has been with KS Energy since 2007. Prior to her appointment as CFO and Director of KS Drilling Pte Ltd in 2010, Ms Leng was the Director of Treasury of KS Energy Ltd. Ms Leng has over 15 years of executive experience within the Banking and Oil & Gas sectors, with a proven track record in the areas of treasury, corporate finance, mergers and acquisitions, equity and capital market activities, and strategic and corporate support.

Ms Leng started her career with a global financial institution from the Netherlands where she gained experience in banking, insurance and asset management internationally.

Ms Leng holds a Master of Science in International Business from Maastricht University.

MR CHUA WUI LIK, EDDIE

Chief Financial Officer Of KS Distribution Pte Ltd

Mr Chua was appointed as the CFO of KS Distribution Pte Ltd ("KSD") in July 2010. He is responsible for the financial management and reporting, treasury management and information technology matters for the KSD group of companies. Mr. Chua joined SSH Corporation Ltd. a previously listed company in SGX, in August 1996 as its Financial Controller and was appointed as its Finance Director in October 2001. Prior to joining KSD, he spent most of his career in local and multi-national corporations. Mr. Chua has more than 30 years of experience as an accounting professional in areas covering auditing, financial management, accounting, treasury, information technology, investor relations and corporate matters. Mr. Chua is a post graduate from Manchester Business School, a fellow member of the ACCA and ISCA.

CORPORATE SOCIAL RESPONSIBILITY AND EMPLOYEE VOLUNTEERISM





KS Energy ("KSE") Group strives to conduct its business in a manner that is socially responsible and environmentally sustainable. Employees are constantly reminded to be responsible citizens with regard to the environment, and strongly encouraged to make every conscientious effort to conserve energy as well as reduce wastage. Mindful of our impact to society, employee volunteerism is also strongly encouraged and the Company strives to play its part in the corporate giving and philanthropy. The Company's continuing commitment to meet to contribute to a better society and cleaner environment forms the pillar to our Corporate Social Responsibility ("CSR") initiatives.

COMMUNITY ENGAGEMENT

It is indeed our responsibility and privilege to be in a position to contribute to the well-being of the communities in which we operate. As a Group whose business spans several regions, we leverage on our network and resources to engage the community through economic, environmental, and social efforts. We endeavor to project KSE as a credible and reliable business partner to customers and principals, while also fostering staff dedication in giving back to the community. All these initiatives actualize the Group's philosophy on CSR.

Our employee volunteerism programme started back in 2011. We were collaborating in card-making sessions with the Muscular Dystrophy Association of Singapore ("MDAS"). The initiative continued to draw active participation from our employees through 2014, and marks the fourth consecutive year for the programme. Employee volunteers attended quarterly sessions, and assisted our friends from the MDAS in making cards. Such activities not only provided all participants with much enjoyment, they also put the handmade cards into practical use. All employees on their birthdays were given these handmade cards, together with a gift voucher, through their respective supervisors, or Heads of Departments.

We are proud of the progress and achievements of our CSR initiatives in 2014. Since our collaboration with MDAS back in 2011, we have and are continuously working on improving the lives of the community of the physically disabled.



Keeping with our philanthropic objectives, employees of KSE Group, working with The Salvation Army, generously donated clothes, toys, and other household items to the less fortunate.

In driving home the environmental message, KSE Group dedicated 30 May 2014 to No Smoking Day. On that day, employees had to give up their vices with all designated smoking regions cleared. Those who

CORPORATE SOCIAL RESPONSIBILITY AND EMPLOYEE VOLUNTEERISM





smoked were also given fruits in exchange for cigarettes to promote a healthy lifestyle.

Throughout 2014, employees of KSE Group have participated in various charity runs. Race Against Cancer is one such runs. We are proud that employees put their physical and psychological limits to the test in covering long distances in raising funds for charity.

For the third consecutive year, employees took time from their busy schedules to participate in The Boys' Brigade Share-A-Gift Project. Food items and daily necessities were personally delivered to needy families. We were heartened that our involvement brought about much joy to the recipients, especially over the Christmas festive season.

With 2014 coming to an end, employees of KSE Group came together to form a caroling group with the purpose of raising funds for a new initiative – Promised Land Community Services. Management at KSE Group significantly increased the amount by matching every dollar raised with another dollar donation.

PEOPLE DEVELOPMENT THROUGH COMMUNITY ENGAGEMENT

We believe there is a strong correlation between the empowerment of our employees and the growth of our business. Through group volunteering, we allow room for employees to build confidence and develop skills. Throughout the year, groups of KSE employees teamed up for various challenges outside their usual routines. A group of employees continuing participation in HSBC's Annual Corporate Responsibility Challenge is one example. The event strived to improve the living conditions of the less fortunate by cleaning their homes. With encouragement from Management, KSE employees also participated in various charity runs to raise funds. Such engagements help instill a culture of giving within the company.

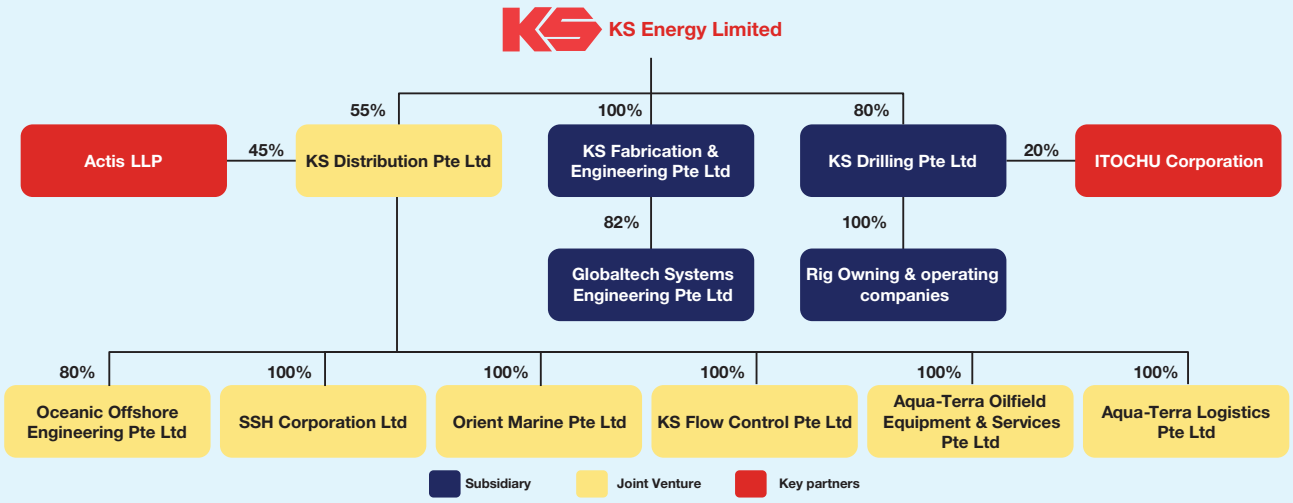
ENVIRONMENTALLY AWARE

The Group continues to encourage recycling and waste reduction. Our businesses are part of a supply chain that consumes primary industrial resources. It is with this in mind that KSE Group encourages employees to be more environmentally aware at all times. As KSE thrives on, we look forward to share our progress and results by actively giving back to society.





KS ENERGY
GROUP STRUCTURE



KS ENERGY GROUP'S
GLOBAL NETWORK



KS DISTRIBUTION OFFICES

SINGAPORE

KS DISTRIBUTION PTE. LTD.
19 Jurong Port Road
Singapore 619093
Tel: +65 6415 0808
Fax: +65 6415 0807
www.ksdistribution.com.sg

SSH CORPORATION LTD.
19 Jurong Port Road
Singapore 619093
Tel: +65 6265 6088
Fax: +65 6661 5511

AQUA-TERRA LOGISTICS PTE. LTD.
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Singapore 619093
Tel: +65 6536 1003
Fax: +65 6532 4033

AQUA-TERRA OILFIELD EQUIPMENT & SERVICES PTE. LTD.
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Tel: +65 6319 4666
Fax: +65 6268 4455

KS FLOW CONTROL PTE LTD
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Fax: +65 6415 0809

OCEANIC OFFSHORE ENGINEERING PTE. LTD./ KS MARINEHUB PTE. LTD.
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Singapore 619253
Tel: +65 6774 7780/6262 6662
Fax: +65 6777 8364/6898 1676

ORIENT MARINE PTE LTD
19 Jurong Port Road
Singapore 619093
Tel: +65 6319 4666
Fax: +65 6268 4455

CHINA

KS DISTRIBUTION (SHANGHAI) LTD/ KS EQUIPMENT (SHANGHAI) LTD/ RAYMONDS SUPPLY (SHANGHAI) CO., LTD
Rm 2E, East Hope Plaza
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Fax: +86 21 2024 6283

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Fax: +86 755 2669 6873/2160 6365

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Rm 1008, Chuanbo Liwan Hotel
No 8, Minzhu Plaza, Zhongshan District
Dalian 116001, P.R. China
Tel: +86 411 8256 2283
Fax: +86 411 8256 3361

AQUA-TERRA SUPPLY (TIANJIN) OILFIELD EQUIPMENT TRADING CO., LTD
Room B306 Tian Run Ke Ji Yuan
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Fax: +86 22 2576 7241

HONG KONG

RAYMONDS SUPPLY CO., LTD./ SURE LINK TRANSPORTATION CO., LTD
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Fax: +852 2649 3118

INDONESIA

PT KSD INDONESIA
(Jakarta Head Office)
Kompleks Rukan Puri Mutiara
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Sunter, Jakarta Utara 14350
Indonesia
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Fax: +62 21 6531 4267/6531 0320

(Batam Branch)
Jalan Mas Surya Negara Kav. A9
Kabil Industrial Estate
Batam 29467
Indonesia
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Fax: +62 778 711222

PT AT OCEANIC OFFSHORE
(Jakarta Head Office)
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Sunter, Jakarta Utara 14350
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Fax: +62 21 6531 4269

(Batam Branch)
Jalan Hang Kesturi III
Lot D1-4 Blok I-19B
Kabil Industrial Estate
Batam 29467
Indonesia
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Fax: +62 778 711708

PT SURYASARANA HIDUPJAYA
(Jakarta Head Office)
Kompleks Rukan Puri Mutiara
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MALAYSIA

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Fax: +60 3 6203 0086

THAILAND

KS DISTRIBUTION (THAILAND) LIMITED
20/22-23 Soi Chatuchote 6
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Bangkok 10220
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Fax: +66 2998 3800

(Rayong Branch)
267/78 Sukhumvit Road
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Fax: +66 3860 9179

VIETNAM

KS DISTRIBUTION (VIETNAM) COMPANY LIMITED
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(Vung Tau Branch)
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Vietnam
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Fax: +84 64 3510589

AUSTRALIA

KS DISTRIBUTION (AUST) PTY LTD
Commercial Unit 1A
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QATAR

AQUA-TERRA MIDDLE EAST
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Fax: +974 4458 3112

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www.ksdrilling.com

INDONESIA
PT. ATLANTIC OILFIELD SERVICES/
PT. PETRO PAPUA ENERGI
World Trade Center 5
Wisma Metropolitan
10th & 11th Floor
Jl. Jend. Sudirman Kav. 29-31
Jakarta 12920
Indonesia
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Fax: +62 21 525 4327/0308

PAKISTAN
ATLANTIC ONSHORE SERVICES B.V.
– PAKISTAN BRANCH
G-14, B-55 ISE Towers
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44000 Pakistan
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Fax: +92 512 895514

UNITED ARAB EMIRATES
ATLANTIC MARINE SERVICES (CYPRUS)
GROUP LIMITED
– DUBAI BRANCH
Al-Waha Community Building
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Nadd Al Hammar Road
PO Box 28717 Dubai
United Arab Emirates
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Fax: +971 4605 9600

KURDISTAN
ATLANTIC ONSHORE SERVICES B.V.
– KURDISTAN BRANCH
ERBIL OFFICE
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Kurdistan
Iraq
Mobile: +964 750 818 3326
+964 771 370 1337

EGYPT
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22, Beirut Street
8th Floor Apt 13 Heliopolis
11341 Cairo
Egypt
Tel: +20 22 256 5004/5/6
Fax: +20 22 256 5014

VIETNAM
KS DRILLING OPERATING COMPANY LTD
c/o Vietubes Corp Ltd.
3rd Floor, Office Building
Dong Xuyen Industrial Zone
Rach Dua Ward, Vung Tau City
Ba Ria – Vung Tau Province
Vietnam
Tel: +84 64 3575565/66 – Ext 103
Fax: +84 64 3575580

PROPERTIES OWNED BY THE GROUP

Details of properties owned by the group as at 31 December 2014 are as follows:

DESCRIPTION/LOCATION	GROSS FLOOR AREA	TENURE OF LAND / LAST VALUATION DATE
Leasehold Property 17 Jurong Port Road Singapore 619092	20,835 sqm	60 years from 1 June 1967 31 December 2012
Leasehold Property 19 Jurong Port Road Singapore 619093	30,304 sqm	60 years from 1 June 1967 31 October 2013
Leasehold Property* 15 Joo Yee Road Singapore 619200	7,497 sqm	30 years from 1 May 2002 30 October 2008
Leasehold Property 14 Jalan Tukang Singapore 619253	10,526 sqm	7 years 2.5 months from 16 October 2008 31 December 2008

Note*: The Group has accepted an offer from JTC to surrender this property before the end of its existing lease. The legal completion of this exercise is scheduled for 31 March 2015.

CORPORATE GOVERNANCE STATEMENT

KS Energy Limited (the "Company" and together with its subsidiaries, as defined by the Companies Act, Cap. 50, the "Group") is committed to maintaining high standards of corporate governance in conducting the Group's business and believes that strengthening corporate transparency through sound corporate policies, business practices and internal controls would enable the Company to safeguard its assets and interests while it strives to achieve its objectives and attain sustainable growth and value for its shareholders. This report describes the Company's corporate governance practices with specific reference to the 2012 Code of Corporate Governance (the "2012 Code"), where applicable. Other than the deviations which are explained in this statement, the Company has complied with the principles of the 2012 Code. The Board of Directors (the "Board") and Management have taken steps to align the Group's governance framework with the recommendations of the 2012 Code, where they are applicable, relevant and practicable to the Group.

BOARD OF DIRECTORS

Principle 1: Board's Conduct of its Affairs

The Board has the duty to protect and enhance the long-term value of the Company and achieve sustainable growth of the Group. It sets the overall strategic direction of the Company and oversees the proper conduct of the business, performance and affairs of the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

Apart from its fiduciary duties under the law, the principal functions of the Board include:

a) To set values and standards (including ethical standards) of the Group and ensure obligations to shareholders and other stakeholders are understood and met;

b) To identify key stakeholders groups and recognise that their perceptions affect the Group's reputation;

c) To provide entrepreneurial leadership, approve corporate policies and strategies to ensure that the necessary financial and human resources are in place for the Group to achieve its objectives;

d) To establish goals for Management and monitor and review Management's performance against such goals and to review the operational and financial performance of the Group;

e) To oversee the processes for evaluating the adequacy of internal controls and risk management, including financial, operational, information technology and compliance risk areas, identified by the Audit & Risk Management Committee ("ARMC"), that need to be strengthened for assessment and the ARMC's recommendations on actions to be taken to address and monitor the areas of concern;

f) To approve the annual budget, key operational matters, including major acquisition, divestment and funding proposals of the Group;

g) To approve the release of the financial results announcements, the audited financial statements of the Group and material transactions announcements on a timely basis;

h) To approve all Board appointments/re-appointments and appointments of key management as well as evaluate their performance and review their remuneration packages; and

i) To assume responsibility for the corporate governance framework of the Group.

CORPORATE GOVERNANCE STATEMENT

The Board will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the recommendation of the 2012 Code.

To facilitate effective management and assist the Board in discharging its duties, certain functions of the Board have been delegated to various Board Committees, namely the ARMC, the Nominating Committee ("NC") and the Remuneration Committee ("RC"). Each Board Committee has specific functions enumerated in its respective Terms of Reference and reports and makes recommendations to the Board on matters under its purview. The Terms of Reference of the Board Committees were further revised in FY2013 to align with the 2012 Code. The ultimate responsibility and final decision on all matters, however, lies with the Board. In addition, the Group has an established internal policy on the types of transactions/activities and financial authorization limits that require Board approval.

The Board conducts scheduled meetings on a quarterly basis. These meetings are scheduled in advance to facilitate each individual Director's planning in view of his ongoing commitments. Ad-hoc meetings are convened when required to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Articles of Association (the "Articles") provide for Board meetings to be conducted by way of telephonic, video conferencing or any other electronic means of communication.

Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. When required, Board members meet to exchange views outside the formal environment of Board meetings.

The attendance of the Directors at meetings of the Board and Board Committees as well as the number of such meetings during the year ended 31 December 2014 is set out in the table below:

Name of Director	**Board**	**ARMC**	**NC**	**RC**
Mr Kris Taenar Wiluan	4	N/A	4	N/A
Mr Richard James Wiluan*	3	N/A	N/A	N/A
Mr Lim Ho Seng	4	5	2	5
Mr Wong Yeng Meng	4	5	4	6
Mr Billy Lee Beng Cheng	4	5	4	5
Mr Lawrence Stephen Basapa	4	N/A	N/A	5
Mr Chew Choon Soo**	1	N/A	N/A	2
Mr Ernest Seow Teng Peng ***	1	2	N/A	N/A
Total No. of meeting(s) held in 2014	**4**	**5**	**4**	**6**

* Appointed as an Executive Director with effect from 1 May 2014.

** Appointed as an Independent Director and a member of the RC with effect from 1 November 2014.

*** Retired as an Independent Director and a member of the ARMC with effect from the date of last AGM held on 29 April 2014.

CORPORATE GOVERNANCE STATEMENT

Principle 2: Board Composition and Guidance

The Board of Directors comprises the following:

Name	Date of appointment	Date of last re-election
Executive Directors		
Mr Kris Taenar Wiluan	2 May 2006	29 April 2014
Mr Richard James Wiluan	1 May 2014	–
Independent Directors		
Mr Lim Ho Seng*	1 September 2005	29 April 2014
Mr Billy Lee Beng Cheng	15 April 2002	30 April 2013
Mr Wong Meng Yeng	15 April 2002	26 April 2012
Mr Lawrence Stephen Basapa	1 June 2013	29 April 2014
Mr Chew Choon Soo	1 November 2014	–

* Appointed as Lead Independent Director on 1 May 2008.

There is an independent element on the Board. Five of the seven Directors of the Company are Independent Directors. The Independent Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

The size of the Board is reviewed on an ongoing basis and its current size is considered appropriate for the facilitation of effective decision making. As a team, the Board collectively provides core competencies in the areas of oil and gas industry knowledge, legal, accounting, finance, business and management experience.

The duties and responsibilities of the Directors are clearly set out in their respective engagement letters.

Each Director is responsible for his own training needs and may access a training budget provided by the Company to keep abreast of developments in law, regulations, accounting and industry practices and changes in technology.

The Company has orientation programmes for newly-appointed Directors to familiarise themselves with the Group's senior Management, culture, business, governance and best practices. Messrs Richard James Wiluan and Chew Choon Soo were appointed in FY2014. The Directors are also encouraged to attend courses or seminars conducted by professionals (including the Singapore Institute of Directors) to keep abreast with developments in corporate, financial, legal and other compliance requirements.

Key information regarding the Directors, such as academic and professional qualifications, shareholding in the Company and its related corporations, Board committees served on, directorships or chairmanships both present and those held over the last three years in other listed companies, and other principal commitments, is disclosed on pages 12 to 13 and 14 of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Board is of the opinion that there is a strong independent element on the Board to enable the exercise of independent and objective judgment on the corporate affairs of the Group. The Independent Directors of the Company make up a majority of the Board. There are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is based on collective decision of the Directors, without any concentration of power or influence residing in any individual. The Board, with the concurrence of the NC, believes that vesting the roles of both Chairman and CEO in the same person who is knowledgeable in the business of the Group provides strong and consistent leadership, thus allowing for more effective planning and execution of long-term business strategies. As such, there is no need for the role of the Chairman and the CEO to be separated. The NC will review the need to separate the roles from time to time and make its recommendations accordingly.

The Executive Chairman and CEO, Mr Kris Taenar Wiluan, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the operational and strategic policies of the Group. He also has the responsibility of setting the meeting agenda of Board meetings, leading the other Board members, promoting high standards of corporate governance and maintaining effective communication with shareholders of the Company.

He ensures that Board meetings are held at least quarterly and ensures that Board members are provided with complete, adequate and timely information. The Company endeavours to send Board papers to Directors at least 3 working days in advance for Directors to be adequately apprised of matters to be discussed at meetings. Members of the management team are invited to attend Board meetings as and when necessary to provide additional insight on matters to be discussed.

The Executive Chairman and CEO's performance and appointment to the Board are reviewed periodically by the NC and his remuneration package is reviewed by the RC. Both the NC and RC are chaired by Independent Directors.

Lead Independent Director ("LID")

Mr Lim Ho Seng was appointed the LID on 1 May 2008. As the LID, Mr Lim is the principal liaison to address shareholders' concerns, for which direct contact through normal channels of the Executive Chairman and CEO or CFO has failed to resolve or for which such contact is inappropriate. He can also facilitate periodic meetings with the other Independent Directors on board matters, when necessary and provides his feedback to the Executive Chairman after such meetings. His other specific roles as LID are as follows:

a) act as liaison between the Independent Directors and the Executive Chairman and CEO and lead the Independent Directors to provide non-executive perspectives in circumstances where it would be inappropriate for the Executive Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;

b) advise the Executive Chairman of the Board as to the quality, quantity and timeliness of the information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties; and

c) assist the Board and Company officers in better ensuring compliance with and implementation of corporate governance.

CORPORATE GOVERNANCE STATEMENT

BOARD COMMITTEES

Principle 4: Board Membership

Nominating Committee

The NC comprises the following members:

Mr Wong Meng Yeng – Chairman	(Independent Director)
Mr Billy Lee Beng Cheng	(Independent Director)
Mr Lim Ho Seng	(Lead Independent Director)
Mr Kris Taenar Wiluan	(Executive Director)

The functions of the NC include the following:

a) review and recommend to the Board the structure, size and composition of the Board and the Board Committees;

b) identify, review and recommend candidates for appointment to the Board and Board Committees, as well as to senior Management positions in the Company;

c) evaluate the effectiveness of the Board as a whole and assess the contribution by each Director to the effectiveness of the Board;

d) determine annually, on a discretionary basis, whether or not a Director is independent, bearing in mind the definition and criteria set forth in the 2012 Code and any other salient factors;

e) in respect of a Director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his duties as a Director, having regard to competing time commitments; and

f) make recommendations to the Board on the re-appointment or re-election of the Directors to the Board at the Company's Annual General Meetings ("AGMs"), having regard to the Directors' contributions and performance.

The NC had adopted the 2012 Code's definition and criteria for independence. Each Independent Director is required to submit a Confirmation of Independence form annually, for the NC's review.

During the year, the NC had reviewed the independence of the Independent Directors according to the criteria set out in the 2012 Code and is of the view that Messrs Lim Ho Seng, Billy Lee Beng Cheng, Wong Meng Yeng, Lawrence Stephen Basapa and Chew Choon Soo are independent. Currently, Messrs Lim Ho Seng, Billy Lee Beng Cheng and Wong Meng Yeng have served on the Board for more than nine years from the date of their first appointment. The 2012 Code provides that their independence should be subject to rigorous review. The NC is of the view that in assessing the independence of the independent Directors, one should consider the substance of their professionalism, integrity and objectivity and not merely based on the number of years which they have served on the Board. The rationale being that independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contributions to the Board.

CORPORATE GOVERNANCE STATEMENT

The NC noted that Messrs Lim Ho Seng, Billy Lee Beng Cheng and Wong Meng Yeng have demonstrated strong independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors. They continue to express their individual viewpoints, debate on issues, objectively scrutinize and challenge Management's proposals as well as participate actively in discussions on business activities and transactions involving conflicts of interests and other complexities.

Having considered the above and weighing the need for progressive refreshing of the Board, the NC had determined that the three Directors' tenure had not affected their independence or ability to bring about independent and considered judgement to bear in the discharge of their duties as members of the Board. Accordingly, the NC had recommended to the Board that they continue to be considered independent notwithstanding that they have served on the Board for more than nine years from the date of their first appointment. All three Directors, being NC members, had abstained from any discussion and recommendation in respect of his own independence.

None of the above five Independent Directors are related to, and do not have any relationship with, the Company, its related corporations, its 10% shareholders, or its officers or are in any circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. The Board had concurred with the NC's assessment.

In selecting prospective new Directors to the Board, the NC will take into consideration the current Board size and mix, identify the required skills, experience and competencies necessary to enable the Board to fulfil its responsibilities. Prospective candidates are sourced through an extensive network of contacts or where required, external executive search professionals are engaged. Candidates are rigorously reviewed by the NC based on key attributes *inter alia* such as integrity, commitment and competencies and ability to carry out his duties as a Director (in particular where the Director holds multiple directorships and has principal commitments). The NC will thereafter submit its recommendation to the Board. All candidates are carefully evaluated by the Board to ensure that the recommendations are objective and well supported.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Company. The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each Director holds on an annual basis or from time to time when the need arises. The NC, having considered the confirmations received from the Independent Directors, is of the view that the other board representations and principal commitments of the Independent Directors do not hinder them from carrying out their duties to the Company. The NC is satisfied that sufficient time and attention have been accorded by these Independent Directors to the affairs of the Company. The Board concurred with the NC's views.

In accordance with the provisions of the Company's Articles, one-third of the Directors will retire by rotation and are subject to re-election at every AGM. New Directors appointed during the year will retire and submit themselves for re-election at the following AGM.

Messrs Billy Lee Beng Cheng and Wong Meng Yeng are retiring by rotation pursuant to Article 91 of the Company's Articles, while Messrs Richard James Wiluan and Chew Choon Soo, who were appointed during the year, will retire pursuant to Article 97 of the Company's Articles. Pursuant to Section 153(6) of the Companies Act, Cap. 50, a person of or over the age of 70 years may, by an ordinary resolution passed at an AGM of a company, be re-appointed as a Director of the Company. Mr Lim Ho Seng has attained the age of 70 years and is required to retire at the conclusion of the forthcoming AGM.

Messrs Billy Lee Beng Cheng, Wong Meng Yeng, Richard James Wiluan, Chew Choon Soo and Lim Ho Seng have expressed their consent to seek re-election/re-appointment as Directors of the Company at the forthcoming AGM.

CORPORATE GOVERNANCE STATEMENT

The NC, having considered the attendance and participation of the aforesaid Directors at Board and Board Committee meetings and in particular, their contribution to the business and operations of the Company as well as Board processes, had recommended their nomination for re-election/re-appointment at the forthcoming AGM. The Board had accepted the NC's recommendation. Messrs Billy Lee Beng Cheng, Wong Meng Yeng, and Lim Ho Seng, being NC members, had abstained from deliberation and voting in respect of their own nomination and assessment.

Principle 5: Board Performance

The NC has in place an annual Board performance evaluation to assess the effectiveness of the Board and to facilitate discussion to enable the Board to discharge its duties more effectively. The annual Board performance evaluation is carried out by means of a questionnaire relating to the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO/senior Management and standards of conduct of Board members being completed by each Director.

In line with the recommendations of the 2012 Code, annual performance evaluation exercises were also initiated for the Board Committees in FY2014. The performance evaluation process for the ARMC, NC and RC similarly involved the use of questionnaires being completed by Board Committee members relating to the following matters:–

(i) ARMC – Membership and appointments, meetings, training and resources, financial reporting, internal financial controls and risk management systems, IA process, external audit process, whistle-blowing, relationship with the Board and communication with shareholders.

(ii) NC – Membership and appointments, meetings, training and resources, reporting, process for selection and appointment of new Directors, nomination of Directors for re-election, independence of Directors, Board performance evaluation, succession planning, Director who has multiple board representation, standards of conduct and communication with shareholders.

(iii) RC – Membership and appointments, meetings, training and resources, remuneration framework, reporting, standards of conduct and communication with shareholders.

No external facilitator had been used to-date.

The results of the completed questionnaires of the Board and Board Committees are collated and the findings of the Board performance evaluation are tabled for discussion by the NC and the Board, with comparatives from the previous year's results, where applicable. The findings of the Board Committees' performance evaluation are discussed by the respective Board Committees and reported to the Board directly.

The aim of the evaluation of the Board and Board Committees was to review the effectiveness of the Board as a whole and each of the Board Committees and provide an opportunity to obtain constructive feedback from the Directors on whether the Board/respective Board Committee's procedures and processes had allowed them to discharge their duties effectively. Members of the Board and Board Committees are encouraged to propose changes to enhance effectiveness of the Board as a whole and the respective Board Committees. The NC and the respective Board Committees would continue to evaluate the process for such reviews and their effectiveness from time to time.

The Board does not intend to assess the performance of each Director. It is of the view that the Board size and composition, cohesiveness of Board members and given that the performance of the Board a whole and each Board Committee are already evaluated, there is no value-add in having the individual Board members assessed.

CORPORATE GOVERNANCE STATEMENT

In discussing the results of the Board performance evaluation for FY2014, Board members were able to identify areas for improving the effectiveness of the Board. The NC will continue to evaluate the process for such review from time to time.

The NC, in considering the contribution of each Director to the effectiveness of the Board, had reviewed:

a) the attendance and participation of the Directors at Board and Board Committee meetings;

b) the competing time commitments of Directors with multiple board representations; and

c) the independence of Independent Directors, where applicable.

The NC had noted that the overall rating for FY2014 had improved compared to FY2013 and was generally satisfied with the results of the Board performance evaluation which indicated areas of strengths and those that could be improved further. No significant problems were identified. The NC had discussed the results with Board members who agreed to work on those areas that could be improved further.

The evaluation of the respective Board Committees was first implemented in FY2013. Feedback from these evaluations were reviewed separately at the respective Board Committees before being submitted to the Board for discussion and determining areas for improvement and enhancement of each Board Committee's effectiveness and overall contribution to the Board.

Principle 6: Access to Information

Management provides the Directors with monthly management reports, information, background and explanatory notes pertaining to areas such as budget, forecasts, funding positions and quarterly financial statements of the Group. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise.

The Executive Chairman and CEO sits on the board of the Group's key businesses, KS Distribution Pte. Ltd. and KS Drilling Pte. Ltd. He is an important link between the Board and the boards of the key businesses. He keeps Board members apprised of key developments affecting the Group as well as any material transactions. All Board members have direct access to senior Management and the Company Secretary. The appointment and removal of the Company Secretary is a matter reserved for the Board.

The Company Secretary's responsibilities include ensuring that:

a) Board procedures are followed;

b) applicable requirements of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual") are complied with; and

c) there is adequate and timely information flow between senior Management and Non-executive Directors prior to meetings and on an ongoing basis.

All Board members also have separate and independent access to senior Management and are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

CORPORATE GOVERNANCE STATEMENT

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The RC comprises the following members:

Mr Billy Lee Beng Cheng – Chairman	(Independent Director)
Mr Lim Ho Seng	(Lead Independent Director)
Mr Wong Meng Yeng	(Independent Director)
Mr Lawrence Stephen Basapa	(Independent Director)
Mr Chew Choon Soo*	(Independent Director)

* Appointed as a member of the RC on 1 November 2014.

The functions of the RC include the following:

a) recommend to the Board base salary level, benefits and incentive programs, and identify components of salary which can best be used to focus Management staff on achieving corporate objectives;

b) approve the structure of compensation programmes (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind) for Directors and key management personnel to ensure that the programme is competitive and sufficient to attract, retain and motivate key management personnel of the required quality to run the Group successfully;

c) review, on an annual basis, the compensation packages of the Chairman, the Executive Director, key management personnel and any employees related to the Directors of the Company;

d) review the remuneration of the Non-Executive Directors, taking into account factors such as their effort, time spent and responsibilities; and

e) function as the committee referred to in the KS Energy Employee Share Option Scheme and the KS Energy Performance Share Plan and having all the powers set out in both schemes.

The Company's remuneration package comprises a base/fixed salary component and a variable bonus component that is linked to the Company/Group and individual performances.

The RC will review the Company's obligations arising in the event of a termination of the Executive Directors' and key management personnel's contracts of service and the need to adopt provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstance of misstatement of financial results or of misconduct resulting in financial loss to the Company.

CORPORATE GOVERNANCE STATEMENT

Disclosure on Directors' Remuneration

In setting the remuneration packages of Executive Directors, the RC takes into account the respective performances of the Group and of the individual. In its deliberation, the RC takes into consideration, remuneration packages and employment conditions within the industry and benchmarked against comparable companies.

The structure of fees paid to the Independent Directors is as follows:

	Basic Fee (S$) per annum	Minimum number of meetings per annum
Board		4
Lead Independent Director	$52,000	
Independent Director	$40,000	
ARMC		4
Chairman	$20,000	
Member	$10,000	
NC		2
Chairman	$10,000	
Member	$5,000	
RC		2
Chairman	$10,000	
Member	$5,000	

If a Director occupies a position for part of the financial year, the fee payable will be prorated accordingly based on meeting attendances.

Attendance Fee

In addition, an Independent Director will be paid an attendance fee of $1,000 for each additional Board or Board Committee meeting which he attended in that financial year.

The Chairman of each Board Committee is compensated for additional responsibilities that may be assigned to him. Directors' fees are tabled for approval by the shareholders of the Company as a lump sum payment at the AGM of the Company.

CORPORATE GOVERNANCE STATEMENT

The RC is of the view that the current remuneration of the Independent Directors is appropriate, taking into account factors such as effort and time expended and responsibilities. Other than Directors' fees, the Independent Directors do not receive any other form of remuneration from the Company. The RC had recommended the payment of Directors' fees of S$326,000 for FY2014. This recommendation had been endorsed by the Board and will be tabled at the Company's AGM for shareholders' approval.

In FY2014, the RC carried out an annual review of the Chairman and key management personnel's remuneration packages to ensure that their remuneration was commensurate with their performance, giving due regard to the performance criteria set out in the Group's remuneration framework for key management personnel and the financial performance and business needs of the Group. The RC had also reviewed the Group's remuneration framework for key management personnel to further align performance with the variables in the compensation structure, as well as to include contractual non-compete and confidentiality provisions.

Although the Company has a share option scheme and a share-based incentive plan (i.e. the KS Energy Employee Share Option Scheme and KS Energy Performance Share Plan (the "**Plan**"), collectively referred to as the "**Schemes**"), no options or performance shares were granted under the Schemes in FY2014. However on 6 March 2015, as announced, the Company granted share awards pursuant to the Plan to eligible participants (including the Group's key management personnel). No share awards are granted to the Company's Directors, controlling shareholders and their associates. Details of both Schemes are disclosed on pages 44 to 46 of the Directors' Report.

For FY2014, the RC was satisfied with the Chairman's and key management personnel's remuneration packages and recommended the same for Board approval. The Board concurred with the RC's recommendations.

No remuneration consultants were engaged in FY2014. The RC members or Directors did not participate in any decision concerning their own remuneration.

CORPORATE GOVERNANCE STATEMENT

The following table shows a breakdown (in percentage terms) of Directors' remuneration for FY2014, falling within broad bands:

	Breakdown of the Directors' Remuneration				
	Salary & CPF (%)	**Fee (%)**	**Bonus & CPF (%)**	**Other Benefits (%)**	**Total (%)**
Above S$1,000,000 to $1,250,000					
Mr Kris Taenar Wiluan *(4)	65%	0%	32%	3%	100%
Above S$750,000 to S$1,000,000					
–	–	–	–	–	–
Above S$500,000 to S$750,000					
–	–	–	–	–	–
Above S$250,000 to S$500,000					
Mr Richard James Wiluan *(1)&(4)	84%	0%	3%	13%	100%
S$250,000 & Below					
Mr Lim Ho Seng	–	100%	–	–	100%
Mr Billy Lee Beng Cheng	–	100%	–	–	100%
Mr Wong Meng Yeng	–	100%	–	–	100%
Mr Lawrence Stephen Basapa	–	100%	–	–	100%
Mr Ernest Seow Teng Peng *(3)	–	100%	–	–	100%
Mr Chew Choon Soo *(2)	–	100%	–	–	100%

*(1) Appointed as an Executive Director with effect from 1 May 2014.

*(2) Appointed as an Independent Director and a member of the RC with effect from 1 November 2014.

*(3) Retired as an Independent Director and a member of the ARMC with effect from 29 April 2014.

*(4) The remuneration paid includes remuneration paid to the Director by KS Distribution Pte Ltd ("**KSD**"), a subsidiary of the Company, as defined under the Companies Act, Cap 50, but treated by the Company as a joint venture in the consolidated financial statements in accordance with Singapore Financial Reporting Standards.

CORPORATE GOVERNANCE STATEMENT

The remuneration of the Group's top six key management personnel, who are not Directors of the Company for FY2014 falls within the following remuneration bands:

Remuneration Bands	No. of Executives	Salary & CPF (%)	Fee (%)	Bonus & CPF (%)	Other Benefits (%)	Total (%)
Above S$1,000,000 to S$1,250,000	2	31%	0%	67%	2%	100%
Above S$750,000 to S$1,000,000	1	39%	0%	33%	28%	100%
Above S$500,000 to S$750,000	2	63%	0%	23%	14%	100%
Above S$250,000 to S$500,000	1	81%	0%	0%	19%	100%
S$250,000 & Below	–	–	–	–	–	–

For confidentiality reasons, the Company is not disclosing each individual Director's remuneration and the performance criteria used to determine the remuneration packages of the Chairman, Executive Director and key management personnel. The remuneration and names of key management personnel are also not disclosed given the competitiveness, hiring pressure and disadvantages that this might bring. In aggregate, the total remuneration paid to the key management personnel in FY2014 was S$4,656,973, which included remuneration paid by KSD, a subsidiary of the Company, as defined under the Companies Act, Cap 50, but treated by the Company as a joint venture in the consolidated financial statements in accordance with Singapore Financial Reporting Standards.

There is one key management personnel within the remuneration band of S$500,000 to S$750,000 who is related to but not an immediate family member of the Chairman and CEO.

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, financial position and prospects. On a monthly basis, Management provides Board members with management accounts and reports. Reports on the Group's financial position and competitive conditions of the industry in which the Group operates are provided on a quarterly basis.

Relevant information on material events and transactions are reviewed by the Board, as and when they arise. The Board is updated on amendments/requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and other statutory and regulatory requirements from time to time.

In line with the SGX-ST Listing Manual requirements, negative assurance confirmation statements were issued by the Board to accompany the Group's quarterly financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false or misleading. The Company is not required to issue negative assurance confirmation statements for its full year results announcements.

CORPORATE GOVERNANCE STATEMENT

Audit & Risk Management Committee

Principle 11: Risk Management and Internal Controls

The ARMC, through the assistance of internal and external auditors, reviews and reports to the Board at least annually on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, established by Management. In addition, the Board reviews and determines the Group's level of risk tolerance and risk polices, and oversees the design, implementation and monitoring of the risk management and internal control systems. In assessing the effectiveness of internal controls, the ARMC ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

Since FY2012, the Group has an Enterprise Risk Management ("ERM") Framework (the "ERM Framework"), which governs the risk management process in the Group. Through this ERM Framework, risk capabilities and competencies are continuously enhanced. The ERM Framework also enables the identification, prioritization, assessment, management and monitoring of key risks and associated key controls to the Group's business. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board. The key risks of the Group are deliberated by Management and reported to the ARMC on a quarterly basis. The ARMC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment in which the Group operates.

Complementing the ERM Framework is a Group-wide system of internal controls, which includes the documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. The Group has in place a risk management process that requires business units to assess the effectiveness of their internal controls. In addition, to ensure that internal controls and risk management processes are adequate and effective, the ARMC is assisted by various independent professional service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by internal and external auditors are reported to and reviewed by the ARMC. The adequacy and effectiveness of the measures taken by Management in response to the recommendations made by the internal and external auditors is also reviewed by the ARMC.

The Board has received assurance from the CEO and CFO that, as at 31 December 2014:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances: and

(b) the Group's risk management and internal control systems were adequate and effective to address key financial, operational, compliance and information technology risks. The Group CEO and the Group CFO have obtained similar assurance from the business unit heads in the Group.

Opinion on Adequacy of the Group's Internal Controls

Based on the review of the key risks identified through the ERM process, and the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by Management and the ARMC; and the aforesaid assurances from the CEO and CFO, the Board, with the concurrence of the ARMC, is of the opinion, pursuant to Rule 1207(10), that the Group's internal controls, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2014.

CORPORATE GOVERNANCE STATEMENT

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Principle 12: Audit Committee

On 15 May 2013, the Company's Audit Committee was re-named "Audit and Risk Management Committee" in line with the recommendation of the 2012 Code.

The ARMC comprises the following members:

Mr Lim Ho Seng – Chairman	(Lead Independent Director)
Mr Billy Lee Beng Cheng	(Independent Director)
Mr Wong Meng Yeng	(Independent Director)

The Board is of the view that the ARMC members are appropriately qualified, having the necessary recent and relevant accounting and/or related financial management expertise or experience as the Board interprets such qualifications to discharge their responsibilities.

The ARMC meets at least four times a year and as and when required to carry out its duties. The ARMC performs the following functions:

a) reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;

b) reviews with the internal auditors, their audit plan and reports, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;

c) reviews the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board for approval, so as to ensure the integrity of the Company's financial statements;

d) reviews the internal control procedures to ensure co-ordination between the internal and external auditors, any significant findings and recommendations of the external and internal auditors and related management response including co-operation and assistance given by Management to the internal and external auditors;

e) reviews interested person transactions ("**IPTs**") to ensure that internal control and review procedures are adhered to;

f) conducts annual reviews of the cost effectiveness of the audit, independence and objectivity of the external auditors, including the value of non-audit services provided by the external auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination;

g) appointment or re-appointment of the internal and external auditors and matters relating to resignation or dismissal of the auditors;

CORPORATE GOVERNANCE STATEMENT

h) arrangements by which staff of the Group or members of the public may in confidence, raise concerns about possible improprieties in financial reporting or, other matters;

i) potential conflicts of interests, if any;

j) advises the Board on the Company's overall risk tolerance and strategy;

k) advises the Board on the current risk exposures and future risk strategy of the Company;

l) in relation to risk assessments:

   (i) keeps under review the Company's overall risk assessment processes that inform the Board's decision making;

   (ii) reviews regularly and approve the parameters used in these measures and the methodology adopted; and

   (iii) sets a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance;

m) reviews the Company's capability to identify and manage new risk types;

n) before a decision to proceed is taken by the Board, advises the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the company, and taking independent external advice where appropriate and available;

o) reviews reports on any material breaches of risk limits and the adequacy of proposed action;

p) provides advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;

q) monitors the independence of risk management functions throughout the organization;

r) reviews promptly all relevant risk reports on the Company;

s) reviews and monitors Management's responsiveness to the findings; and

t) conducts such other reviews and undertakes projects as may be requested by the Board, reports to the Board its findings from time to time on matters arising and requiring the ARMC's attention and generally undertakes such other functions and duties as may be required by statute or the SGX-ST Listing Manual (as amended thereto from time to time).

The Company has in place a Whistle-blowing Policy to provide an accessible channel through which employees of the Group may report and raise in good faith and in confidence, any concerns about possible improprieties, fraudulent activities, or malpractices within the Group in a responsible and effective manner. The objective of the Whistle-blowing Policy is to facilitate independent investigation of such matters and for appropriate follow-up action. This policy was revised in FY2013. Reports can be made verbally or in writing to any member of the ARMC whose contact numbers and email addresses are stated in the said policy. In addition, external parties may access the Whistle-blowing Policy which is available on the corporate website at http:/www.ksenergy.com.sg. An independent investigation of the matters raised would be conducted and appropriate follow-up action would be undertaken. There were no whistle-blowing reports received in FY2014.

CORPORATE GOVERNANCE STATEMENT

The ARMC has full authority to commission investigations and review findings into matters when alerted of any suspected fraud, irregularity, failure of internal controls or infringement of any law that may likely have a material impact on the Group's operating results. It also has full access to and co-operation from Management and full discretion to invite any Director or executive officer to attend its meetings as well as reasonable resources to enable it to discharge its function properly.

The ARMC meets with the Group's internal and external auditors and Management to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group. In FY2014, the ARMC:

(i) held 5 meetings;

(ii) reviewed the quarterly and full-year financial statements and, considered both the external and internal audit plans;

(iii) reviewed the adequacy of internal control procedures and transactions with Interested Persons;

(iv) met with both the internal and external auditors, without the presence of Management, to obtain feedback on Management's co-operation in the audits and on other matters that may warrant the ARMC's attention. Both the internal and external auditors had confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audits;

(v) undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The external auditors have affirmed their independence in this respect. The following fees amounting to S$903,000*(1) were approved:

Audit fees	S$711,000
Non-audit fees*(2)	S$192,000

*(1) The total fees of S$903,000 approved for payment include fees payable by KSD to the Company's auditors, who are also the external auditors of KSD, treated by the Company as a joint venture in the consolidated financial statements in accordance with Singapore Financial Reporting Standards.

*(2) Non-audit fees were mainly in respect of corporate tax compliance services, IT business process review and system selection and governance, risk and compliance services.

(vi) confirmed that the Company has complied with Rule 712 of the SGX-ST Listing Manual in that KPMG LLP is registered with the Accounting and Corporate Regulatory Authority. The ARMC was satisfied that the resources and experience of KMPG LLP, the audit engagement partner and his team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group.

(vii) confirmed that the Company has complied with Rule 715 of the SGX-ST Listing Manual in relation to the appointment of the same auditing firm based in Singapore to audit the accounts of the Company, all its Singapore-incorporated subsidiaries and a significant foreign subsidiary. The Group's subsidiaries, associates and jointly controlled entities are disclosed under Notes 15 and 14 of the Notes to the Financial Statements on pages 92 to 98 and 85 to 92 respectively of this Annual Report.

CORPORATE GOVERNANCE STATEMENT

The ARMC, with the concurrence of the Board, had recommended the re-appointment of KPMG LLP as auditors for FY2015 at the forthcoming AGM based on their performance and quality of their audit.

Principle 13: Internal Audit

The Company engaged independent audit firms, BDO LLP and Foo Kon Tan Advisory Services Pte Ltd, as its internal auditors to support its in-house internal audit team. All report directly to the ARMC. The role of the internal auditors is to support the ARMC in ensuring that the Group maintains a sound system of internal controls by highlighting weaknesses in the current process, ascertaining that operations were conducted in accordance with established policies and procedures and to identify areas for improvement, where controls can be strengthened. The ARMC reviews the adequacy of the internal auditors to ensure that they are sufficiently resourced and able to perform their function effectively and objectively. For FY2014, the ARMC was satisfied that the resources and experience of BDO LLP and Foo Kon Tan Advisory Services Pte Ltd, the internal audit engagement partners and their teams assigned to the internal audit of the Group were adequate to meet their internal audit obligations.

During the year under review, the internal auditors had reviewed key processes to test the effectiveness of internal controls within the Group. In addition, the external auditors have, during the course of their audit, tested the operating effectiveness of certain controls over the Group's financial reporting process. Any lapses in compliance or internal controls together with corrective measures are reported to the ARMC. No material issues or lapses in internal controls were raised by the internal auditor in the course of the audit. The ARMC reviews the internal and external auditors' comments and findings and ensure that there are adequate internal controls in the Group and follow up on actions implemented.

Management had provided assurance in respect of the Company's financial statements as at 31 December 2014, that:

(i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;

(ii) nothing had come to Management's attention which might render the financial results of the Group as at 31 December 2014 to be false or misleading in any material aspect;

(iii) Management was aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company; and

(iv) there were no known significant deficiencies in the risk management and internal controls systems relating to the preparation and reporting of financial data as at 31 December 2014 and that Management was not aware of any fraud.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company strives for timeliness and transparency in its disclosures to shareholders and the public and does not practise selective disclosure. All information on the Company's developments and initiatives, especially any price-sensitive information, are disseminated via SGXNET followed by a news release, where appropriate. Results and annual reports are announced or issued within the stipulated timelines prescribed by the SGX-ST.

CORPORATE GOVERNANCE STATEMENT

The Company currently holds analyst briefings upon request following the release of its quarterly financial results. Communications with shareholders, analysts and fund managers are handled by a dedicated investor relation consultant.

The Company also regularly updates its corporate website www.ksenergy.com.sg through which shareholders are able to access information on the Group. The website provides the Group's business profile, corporate announcements, press releases and other relevant information.

At general meetings of the Company, shareholders are given the opportunity to express their views and ask questions regarding the Company and the Group. The Board welcomes questions from shareholders who may ask questions or seek clarification either informally or formally before or at the general meetings. The Annual Report is despatched to shareholders, together with the Notice of AGM, explanatory notes or a circular on items of special business, at least 14 days before the meeting for ordinary resolutions and 21 days before the meeting for special resolutions. There are separate resolutions on each distinct issue. The Chairman of each Board Committee is present at the shareholders' meetings to address questions which are within the purview of the respective Board Committees. The external auditors and key management personnel of the Company are present to address shareholders' queries about the conduct and the preparation and content of the auditors' report.

For FY2014, the Board did not recommend payment of dividends, as the Company recorded a loss of $11,297,000 for FY2014.

The Board may from time to time review the provisions of the existing Articles of the Company to ensure they are in line with good corporate governance practices as recommended by the 2012 Code. If the Board thinks fit, it may propose any necessary amendments for shareholders' approval. The Company will be reviewing its Articles to bring them in line with the recent amendments to the SGX-ST Listing Manual, including provisions relating to (i) holding of general meetings in Singapore; (ii) voting by poll for all resolutions; and (iii) disclosures of relevant details on voting outcomes, and provisions which allow corporations providing nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies, as recommended under Guideline 14.3 and Guideline 16.5 of the 2012 Code.

SECURITIES TRANSACTIONS

The Company has adopted a policy governing dealings in the securities of the Company for Directors and employees. Directors and employees are prohibited from dealing in the securities of the Company during the period commencing two weeks before the announcement of the Company's financial statements for the first and third quarter of its financial year, and one month before the announcement of the Company's half year and full year financial statements, as the case may be, and ending on the date of the announcement of the relevant results.

Directors and employees of the Company are also prohibited from dealing in the securities of the Company whilst in possession of price-sensitive information. The Company issues circulars regularly to notify its Directors, principal officers and relevant personnel who have access to or are in possession of unpublished material price-sensitive information to remind them of the aforementioned prohibition and of the requirement to report their dealings in shares of the Company.

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE STATEMENT

MATERIAL CONTRACTS

Other than as disclosed below and in Note 25 of Financial Statements on pages 116 and 117, there were no other material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, Director or controlling shareholder, which were either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARMC and within threshold levels and had been conducted on an arm's length basis and in accordance with prescribed procedures. When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The ARMC and the Board had reviewed the proposed renewal of mandates for IPTs with PT DWI Sumber Arca Waja Group and PT KS Drilling Indonesia to be tabled for shareholders' approval at the forthcoming AGM. Details of the proposed renewal of IPT mandates are enumerated in the Appendix to the Notice of AGM.

Save as disclosed below, there are no interested persons transactions between the Company or its subsidiaries and any of its interested persons during the financial year under review.

Name of Interested Person	**Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)**
PT Dwi Sumber Arca Waja, its subsidiaries and its associates ("DSAW Group")		
• Provision of goods and services to and from the DSAW Group	–	S$10,743,852
• Provision of other Equipment and services by the DSAW Group	–	–

CORPORATE GOVERNANCE STATEMENT

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• the buying, selling and chartering of Rigs and Equipment	–	–
• the provision of Management Services	S$893,179	–
• net repayment of interest, guarantee fees and Shareholders' loan provided by KS Drilling to PT KS Drilling Indonesia and its subsidiaries	–	US$4,166,649
• Aggregate guarantee fee in respect of bank loan facilities extended to PT KS Drilling Indonesia and its subsidiaries	–	US$678,532
• Interest bearing loans to PT KS Drilling Indonesia and its subsidiaries – Principal and accrued interest and unpaid guarantee fees as at end of period *	N/A	US$27,919,638
• Corporate guarantees extended in favour of banks in respect of loan facilities extended to PT KS Drilling Indonesia and its subsidiaries – Principal and accrued interest in respect of the bank loan facilities as at end of period **	N/A	US$19,761,980

* With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, the Group provided financing to PT KS Drilling Indonesia and its subsidiaries by way of shareholder loans that accrues interest at the rate of 7% per year. The principal amount outstanding in respect of such shareholder loans from KS Drilling Pte Ltd, an 80% subsidiary of the Company, to PT Java Star Rig, to finance the acquisition of the jack-up rig named "KS Java Star" was US$26.4 million as at 31 December 2014.

** KS Drilling Pte Ltd, an 80% subsidiary of the Company, has extended a corporate guarantee in favour of a bank lending to PT Java Star Rig for 100% of the bank loan facility. The principal amount outstanding in respect of the bank loan facility to finance the jack-up rig named "KS Java Star" was US$19.7 million as at 31 December 2014.

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DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2014.

DIRECTORS

The directors in office at the date of this report are as follows:

Kris Taenar Wiluan	
Richard James Wiluan	(Appointed on 1 May 2014)
Lim Ho Seng	
Billy Lee Beng Cheng	
Wong Meng Yeng	
Lawrence Stephen Basapa	
Chew Choon Soo	(Appointed on 1 November 2014)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Direct			Deemed		
Name of director and corporation in which interests are held	**Holdings at the beginning of the year**	**Holdings at the end of the year**	**Holdings at 21 January 2015**	**Holdings at the beginning of the year/ date of appointment**	**Holdings at the end of the year**	**Holdings at 21 January 2015**
The Company						
Ordinary shares fully paid						
Kris Taenar Wiluan	–	–	–	298,578,862	299,381,862	299,728,862
Richard James Wiluan	–	–	–	298,578,862	299,381,862	299,728,862
Lawrence Stephen Basapa	50,000	50,000	50,000	–	–	–

By virtue of Section 7 of the Act, Kris Taenar Wiluan and Richard James Wiluan are deemed to have interests in the shares of the Company and all its subsidiaries at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Except as disclosed above, there were no other changes in the interests in the Company between the end of the financial year and 21 January 2015.

DIRECTORS' REPORT

Except as disclosed in Note 24 to the accompanying financial statements, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with parties which are affiliated to the directors, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act, Chapter 50. Such transactions may comprise sale and purchase of goods, operating lease arrangements, consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations. However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as directors and members of these corporations.

Except as disclosed above and for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 25 to the accompanying financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS

The KS Energy Employee Share Option Scheme (the "Scheme") and KS Energy Performance Share Plan (the "Plan") were approved at the Company's Extraordinary General Meeting held on 2 July 2009. The Plan contemplates the award of fully-paid shares to Participants after performance targets have been met and is targeted at key employees who are in the best position to drive the growth of the Company through superior performance while the Scheme is targeted at employees of the Group in general and is meant to be more of a "loyalty" driven time-based incentive scheme. Details of the Scheme and Plan are outlined in the Company's circular dated 16 June 2009.

Both the Scheme and the Plan are administered by the Remuneration Committee (the "Committee"), comprising:

Billy Lee Beng Cheng (Chairman)	(Independent Director)
Wong Meng Yeng	(Independent Director)
Lim Ho Seng	(Lead Independent Director)
Lawrence Stephen Basapa	(Independent Director)
Chew Choon Soo	(Independent Director)

Other information regarding the Scheme and the Plan is set out below:

(a) No options have been granted since the commencement of the Scheme and no shares have been issued since the commencement of the Plan. However, on 6 March 2015, as announced, the Company granted share awards pursuant to the Plan to eligible participants (including the Group's key management personnel). The closing market price of the Company's shares on 6 March 2015 was $0.375. No share awards are granted to the Company's Directors, controlling shareholders and their associates.

(b) Subject to the absolute discretion of the Committee, options/shares may be granted, under the Scheme/Plan, to the Group's employees, executive directors and non-executive directors provided that certain criteria are met. Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet

certain criteria are eligible to participate in the Scheme/Plan, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option/a share to any of them may only be effected with the specific prior approval of Shareholders in general meeting by a separate resolution.

(c) The aggregate number of ordinary shares over which options/shares may be granted on any date under the Scheme/Plan, when added to the number of ordinary shares issued and/or issuable in respect of:

- all options granted under the Scheme;
- all contingent award of ordinary shares granted pursuant to the rules of the Plan; and
- all ordinary shares in the capital of the Company, options or awards granted under any other share option or share scheme of the Company then in force;

shall not exceed 15% of the total number of issued ordinary shares, excluding treasury shares, in the capital of the Company on the day preceding the relevant date of grant.

Furthermore, the aggregate number of ordinary shares over which options/shares may be granted under the Scheme/Plan to Controlling Shareholders and their Associates shall not exceed 25% of the ordinary shares available under the Scheme/Plan, and the number of ordinary shares over which options/shares may be granted under the Scheme/Plan to each Controlling Shareholder or his Associate shall not exceed 10% of the ordinary shares available under the Scheme.

(d) The Scheme/Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the date on which the Scheme/Plan is adopted by shareholders of the Company in general meeting, provided that the Scheme/Plan may continue beyond the aforesaid period of time with the approval of shareholders of the Company in general meeting and of any relevant authority which may then be required.

(e) The subscription price of the options shall be fixed by the Committee at its absolute discretion at:

- the Market Price, determined by reference to the price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX-ST for five consecutive market days immediately preceding the offer date of that option, rounded up to the nearest whole cent in the event of fractional prices;
- or at a discount to the Market Price, the quantum of such discount to be determined by the Committee at its absolute discretion, provided that the maximum discount shall not exceed 20% of the Market Price and is approved by shareholders of the Company in general meeting in a separate resolution.

(f) Options granted with the Exercise Price set at the Market Price may be exercised at any time after the first anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

(g) Options granted with the Exercise Price set at a discount to the Market Price may be exercised at any time after the second anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

DIRECTORS' REPORT

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

AUDIT AND RISK MANAGEMENT COMMITTEE

The members of the Audit and Risk Management Committee during the year and at the date of this report are:

Lim Ho Seng (Chairman)	(Lead Independent Director)
Billy Lee Beng Cheng	(Independent Director)
Wong Meng Yeng	(Independent Director)

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit and Risk Management Committee held five meetings since the last directors' report. In performing its functions, the Audit and Risk Management Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit and Risk Management Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit and Risk Management Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings.

The Audit and Risk Management Committee has reviewed the level of audit and non-audit fees and is satisfied with the independence and objectivity of the external auditors as required under Section 206 (1A) of the Act and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' REPORT

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kris Taenar Wiluan
Director

Lim Ho Seng
Director

27 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 51 to 134 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Kris Taenar Wiluan
Director

Lim Ho Seng
Director

27 March 2015

INDEPENDENT AUDITORS' REPORT

Members of the Company
KS Energy Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of KS Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and of the Company as at 31 December 2014, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 134.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2014

	Note	Group	
		2014	2013
		$'000	$'000
Revenue	4	**227,330**	161,770
Cost of sales		**(111,568)**	(93,203)
Gross profit before direct depreciation		**115,762**	68,567
Direct depreciation		**(50,720)**	(34,196)
Gross profit after direct depreciation		**65,042**	34,371
Other income		**56,565**	3,060
Administrative expenses		**(37,810)**	(28,304)
Other operating expenses		**(29,441)**	(12,175)
Finance income	5	**2,707**	3,384
Finance costs	5	**(19,160)**	(14,207)
Share of results of joint ventures (net of tax)		**11,027**	18,528
Profit before tax	6	**48,930**	4,657
Tax expense	7	**(2,519)**	(4,145)
Profit for the year		**46,411**	512
Profit attributable to:			
Owners of the Company		**30,128**	23
Non-controlling interests		**16,283**	489
Profit for the year		**46,411**	512
Earnings per share:			
Basic earnings and diluted earnings per share (cents)	8	**5.87**	–*

* Less than 0.01 cent.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
Profit for the year	**46,411**	512
Other comprehensive income		
Item that is or may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	**17,643**	20,075
Other comprehensive income for the year, net of tax	**17,643**	20,075
Total comprehensive income for the year	**64,054**	20,587
Total comprehensive income attributable to:		
Owners of the Company	**44,273**	18,253
Non-controlling interests	**19,781**	2,334
Total comprehensive income for the year	**64,054**	20,587

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current assets					
Cash and cash equivalents	9	**78,210**	43,166	**3,778**	1,957
Amounts due from subsidiaries	10	**–**	–	**11,050**	10,245
Trade receivables	11	**64,460**	47,867	**–**	–
Contract work-in-progress	12	**672**	745	**–**	–
Inventories		**459**	–	**–**	–
Other assets	13	**19,268**	33,077	**197**	2,538
		163,069	124,855	**15,025**	14,740
Non-current assets					
Joint ventures	14	**144,539**	128,925	**124,609**	132,562
Subsidiaries	15	**–**	–	**246,719**	243,252
Plant and equipment	16	**572,453**	395,225	**779**	1,005
Intangible assets	17	**4,162**	4,415	**–**	–
Other assets	13	**35,186**	36,905	**301**	301
Deferred tax assets	21	**2,601**	–	**–**	–
		758,941	565,470	**372,408**	377,120
Total assets		**922,010**	690,325	**387,433**	391,860
Current liabilities					
Trade and other payables	18	**44,700**	46,609	**3,265**	2,973
Progress billings in excess of contract work in progress	12	**–**	266	**–**	–
Amounts due to subsidiaries	19	**–**	–	**6,792**	4,725
Provision for current tax		**13,209**	10,729	**1,025**	408
Financial liabilities	20	**116,139**	73,685	**21,579**	3,161
		174,048	131,289	**32,661**	11,267
Non-current liabilities					
Trade and other payables	18	**4,579**	3,783	**3,302**	3,161
Financial liabilities	20	**297,615**	169,227	**47,724**	62,389
Deferred tax liabilities	21	**712**	810	**593**	593
		302,906	173,820	**51,619**	66,143
Total liabilities		**476,954**	305,109	**84,280**	77,410
Net assets		**445,056**	385,216	**303,153**	314,450
Equity attributable to owners of the Company					
Share capital	22	**359,973**	359,973	**359,973**	359,973
Equity reserve	23	**24,717**	24,717	**24,717**	24,717
Treasury shares	23	**(34,510)**	(34,510)	**(34,510)**	(34,510)
Foreign currency translation reserve	23	**(31,353)**	(45,498)	**–**	–
Other reserve	23	**(3,750)**	(1,144)	**–**	–
Accumulated profits		**55,575**	25,447	**(47,027)**	(35,730)
		370,652	328,985	**303,153**	314,450
Non-controlling interests		**74,404**	56,231	**–**	–
Total equity		**445,056**	385,216	**303,153**	314,450

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

Group	Note	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2014		**359,973**	**24,717**	**(34,510)**	**(45,498)**	**(1,144)**	**25,447**	**328,985**	**56,231**	**385,216**
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	**30,128**	**30,128**	**16,283**	**46,411**
Other comprehensive income										
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations		–	–	–	**14,145**	–	–	**14,145**	**3,498**	**17,643**
Total other comprehensive income		–	–	–	**14,145**	–	–	**14,145**	**3,498**	**17,643**
Total comprehensive income for the year		–	–	–	**14,145**	–	**30,128**	**44,273**	**19,781**	**64,054**
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Dividends paid to non-controlling interest		–	–	–	–	–	–	–	**(4,214)**	**(4,214)**
Total contributions by and distributions to owners of the Company		–	–	–	–	–	–	–	**(4,214)**	**(4,214)**
Changes in ownership interests in subsidiary										
Acquisition of non-controlling interests without a change in control	27	–	–	–	–	**(2,606)**	–	**(2,606)**	**2,606**	–
Total transactions with owners		–	–	–	–	**(2,606)**	–	**(2,606)**	**(1,608)**	**(4,214)**
At 31 December 2014		**359,973**	**24,717**	**(34,510)**	**(31,353)**	**(3,750)**	**55,575**	**370,652**	**74,404**	**445,056**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated profits $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2013	319,077	22,922	(34,510)	(63,728)	(1,144)	25,424	268,041	53,897	321,938
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	23	23	489	512
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	18,230	–	–	18,230	1,845	20,075
Total other comprehensive income	–	–	–	18,230	–	–	18,230	1,845	20,075
Total comprehensive income for the year	–	–	–	18,230	–	23	18,253	2,334	20,587
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Rights issue	40,896	–	–	–	–	–	40,896	–	40,896
Change in equity reserve due to equity component of convertible bonds	–	1,795	–	–	–	–	1,795	–	1,795
Total contributions by and distributions to owners of the Company	40,896	1,795	–	–	–	–	42,691	–	42,691
At 31 December 2013	359,973	24,717	(34,510)	(45,498)	(1,144)	25,447	328,985	56,231	385,216

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013
	$'000	$'000
Cash flows from operating activities		
Profit before tax	**48,930**	4,657
Adjustments for:		
Amortisation of intangible assets	**568**	494
Depreciation of plant and equipment	**56,092**	37,902
Impairment loss on plant and equipment	**12,188**	–
Allowance for/(write-back of) impairment loss on non-trade receivables	**4,965**	(269)
Gain on disposal of plant and equipment	**(54,073)**	(49)
Gain on liquidation of joint venture	**(9)**	(1,051)
Finance income	**(2,707)**	(3,384)
Finance costs	**19,160**	14,207
Plant and equipment written off	**35**	953
Share of results of joint ventures, net of tax	**(11,027)**	(18,528)
	74,122	34,932
Working capital changes:		
Change in inventories	**(386)**	(635)
Change in trade receivables	**(14,180)**	3,169
Change in other current assets	**(952)**	2,640
Change in trade and other payables	**(1,528)**	6,361
Cash generated from operating activities	**57,076**	46,467
Taxes paid	**(3,212)**	(5,072)
Net cash from operating activities	**53,864**	41,395

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Note	Group	
		2014	2013
		$'000	$'000
Cash flows from investing activities			
Repayment of quasi equity loans by joint ventures		**695**	23,056
Decrease in non-trade receivables with joint ventures and related parties		**6,986**	42,267
Dividends received from joint ventures		**2,214**	1,660
Interest received		**2,707**	3,384
Payments for purchase of plant and equipment		**(288,724)**	(97,627)
Payments for purchase of intangible assets		**(170)**	(95)
Proceeds from disposal of plant and equipment		**115,457**	50
Net cash used in investing activities		**(160,835)**	(27,305)
Cash flows from financing activities			
Decrease in non-trade payables with related parties		**(1,508)**	(58)
Proceeds from bills payable		**3,065**	3,686
Repayment of bills payable		**(3,113)**	(3,558)
(Increase)/decrease in deposits pledged		**(166)**	133
Interest paid		**(15,365)**	(10,930)
Repayment of finance lease liabilities		**(13)**	(12)
Proceeds from bank loans		**233,608**	131,335
Repayment of bank loans		**(71,975)**	(122,344)
Proceeds from issue of convertible bonds		**–**	45,000
Payment of transaction costs related to issue of convertible bonds		**–**	(864)
Proceeds from issue of new shares (net)		**–**	40,896
Repayment of convertible bonds, excluding interest		**–**	(90,000)
Dividend paid to non-controlling shareholders of subsidiaries		**(4,214)**	–
Net cash from/(used in) financing activities		**140,319**	(6,716)
Net increase in cash and cash equivalents		**33,348**	7,374
Cash and cash equivalents at beginning of the year		**29,485**	20,999
Effect of exchange rate fluctuations on cash held in foreign currencies		**1,530**	1,112
Cash and cash equivalents at end of the year	9	**64,363**	29,485

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 March 2015.

1 DOMICILE AND ACTIVITIES

KS Energy Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at No. 19 Jurong Port Road, Singapore 619093.

The principal activities of the Company are those of investment holding and the provision of management services. The principal activities of the subsidiaries are set out in Note 15 to the financial statements.

The financial statements of the Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise stated below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

In particular, the information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and that have a significant risk or resulting in a material adjustment within the next financial year are described in the following notes:

- Note 7 – estimation of provisions for current and deferred taxation
- Note 14 – assumptions of recoverable amounts relating to interests in joint ventures
- Note 15 – assumptions of recoverable amounts relating to investments in and loans to subsidiaries
- Note 16 – depreciation and assumptions of recoverable amounts relating to plant and equipment
- Note 17 – assumptions of recoverable amounts relating to goodwill and other intangible assets
- Note 26 – assessment of the recoverability of trade receivables

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair values (Continued)

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 16 – Plant and equipment
- Note 26 – Financial risk management

2.5 Changes in accounting policies

Disclosures of recoverable amount for non-financial assets

Under *Amendments to FRS 36: Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*. The Group has expanded its disclosures of recoverable amounts when they are based on fair values less cost of disposals and an impairment is recognised. The adoption of the amendments to FRS 36 affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years.

Offsetting of financial assets and financial liabilities

Under *Amendments to FRS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The adoption of the amendments to FRS 32 has no impact on the recognised assets and liabilities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

– Joint operations – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

– Joint ventures – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Joint arrangements (Continued)

Investments in joint ventures are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore the carrying amounts of assets and liabilities are not changed and goodwill is not recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Accounting for subsidiaries and joint ventures by the Company

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment (Continued)

Disposals

Gain or loss arising on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within other income/ other operating expenses in profit or loss on the date of disposal.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, the component is depreciated separately.

No depreciation is provided on assets under construction. Depreciation on other plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives are as follows:

–	Plant and machinery	3 to 10 years
–	Rigs	10 to 30 years
–	Renovation, furniture and fittings	2 to 10 years
–	Office equipment	1 to 8 years
–	Motor vehicles	3 to 10 years

Dry docking cost is considered a separate component of the rig and is separately depreciated over the period between dry dockings, or from acquisition until the next dry docking.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, and adjusted if appropriate.

In 2014, management reassessed the residual values of their rigs as well as the useful lives of each significant component of the rigs. The residual value of a particular rig was previously determined to be 5% by independent valuers but reduced to 0% by management based on the current condition of the rig and the possibility that the scrap value of the rig will be offset with the cost associated with scrapping the rig.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment (Continued)

Depreciation (Continued)

In addition, certain equipments were acquired to upgrade a rig to match the specifications required for a charter contract that ended in 2014. Consequently, the depreciation of these equipments has been accelerated to fully depreciate the remaining carrying amount of the equipments at the end of the charter contract.

As a result of the above revision, depreciation expense for the year ended 31 December 2014 increased by $10,791,000 and annual depreciation expense in future periods will decrease as follows:

Financial years ended 31 December:	**Per year $'000**
2015	2,005
2016	2,005
2017	2,005
2018	2,005
2019	870
2020	870
2021	439
2022	296
2023	296
	10,791

3.4 Intangible assets

Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (Continued)

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment as described in Note 3.6.

Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

–	Computer software	3 years
–	Other intangible assets	2 to 15 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, excluding prepayments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. For the purpose of statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Non-derivative financial liabilities (Continued)

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in Singapore dollar that can be converted to share capital at the option of the holder, where the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

Compound financial instruments (Continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, gains and losses related to the financial liability component are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Intra-group financial guarantees are accounted for in the Company's financial statements as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.6 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loan and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

Non-derivative financial assets (Continued)

Loan and receivables (Continued)

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

Non-financial assets (Continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an equity accounted investee is tested for impairment as a single asset when there is objective evidence that the investment in that equity accounted investee may be impaired.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. A write-down on cost is made when the cost is not recoverable or if the selling prices have declined below cost.

3.8 Contract work-in-progress

Contract work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less recognised losses, allowance for foreseeable losses and net of progress billings, and are presented as part of "Contract work-in-progress" (as an asset) or as "Progress claims in excess of contract work-in-progress" (as a liability) in the statement of financial position as applicable. Contract cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity. Allowance is made where applicable for any foreseeable losses on uncompleted contracts as soon as the possibility of the loss is ascertained.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Employee benefits (Continued)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefits expense in profit or loss.

3.10 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.11 Revenue

Rental income

Revenue from day rate based compensation for operations of rigs are recognised based upon contracted day rates and the number of operating days during the period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue (Continued)

Rendering of services

Revenue from rendering of services is recognised when the related services have been rendered.

Mobilisation fees are recognised over the estimated duration of the contract. Incremental cost of mobilisation is deferred and recognised over the estimated duration of the contracts. To the extent that cost exceeds revenue, it is expensed as incurred.

Contract revenue

Contract revenue and costs are recognised in profit or loss using the percentage of completion method, measured by the proportion of costs incurred to-date to the estimated total costs for each contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised in profit or loss as an expense in the period in which they are incurred.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

Minimum lease payments made under finance leases are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.13 Finance income and finance costs

Finance income comprises interest income on fixed and cash deposits with banks, interest income on loans and receivables and mark to market gains on derivative financial instruments. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, unwinding of the discount and transaction costs on convertible bonds and fair value losses on derivative financial instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest rate method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.15 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible bonds, warrants and employee share options.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, and intangible assets other than goodwill.

3.17 New accounting standards and interpretations issued but not yet effective for the financial year ended 31 December 2014

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. The Group is still assessing the impact of these new standards on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

4 REVENUE

	Group	
	2014	2013
	$'000	$'000
Rental income	**202,670**	138,176
Rendering of services	**16,914**	14,297
Contract revenue	**7,034**	8,039
Sale of goods	**712**	1,258
	227,330	161,770

5 FINANCE INCOME AND FINANCE COSTS

	Group	
	2014	2013
	$'000	$'000
Recognised in profit or loss		
Finance income:		
– Interest income on fixed and cash deposits with banks	**20**	18
– Interest income on loans and receivables	**2,687**	3,366
	2,707	3,384

	Group	
	2014	2013
	$'000	$'000
Interest expense on:		
– Bills payable to banks	**(21)**	(22)
– Bank loans	**(12,319)**	(7,422)
– Convertible bonds	**(3,210)**	(3,279)
Accretion expense on convertible bonds	**(3,610)**	(2,241)
Amortisation of transaction costs incurred in connection with the issue of convertible bonds	**–**	(1,243)
	(19,160)	(14,207)

NOTES TO THE FINANCIAL STATEMENTS

5 FINANCE INCOME AND FINANCE COSTS (CONTINUED)

The above finance income and finance costs include the following interest income and expense in respect of assets and liabilities not at fair value through profit or loss:

	Group	
	2014	**2013**
	$'000	**$'000**
– Total interest income on financial assets	**2,707**	3,384
– Total interest expense on financial liabilities	**(15,550)**	(10,723)

6 PROFIT BEFORE TAX

The following items have been charged/(credited) in arriving at profit before tax for the year:

	Note	Group	
		2014	**2013**
		$'000	**$'000**
Allowance for/(write back of) impairment loss on receivables	26	**6,926**	(2,846)
Bad trade debts written off		**204**	697
Impairment loss on plant and equipment		**12,188**	–
Amortisation of intangible assets	17	**568**	494
Depreciation of plant and equipment	16	**56,092**	37,902
Plant and equipment written off		**35**	953
Foreign exchange (gain)/loss		**(374)**	6,794
Gain on disposal of plant and equipment		**(54,073)**	(49)
Gain on liquidation of joint venture		**(9)**	(1,051)
Audit and other attestation fees paid and payable to:			
– auditors of the Company		**264**	255
– other auditors		**168**	138
Non-audit fees paid and payable to:			
– auditors of the Company		**310**	134
Operating lease expenses		**13,535**	12,113
Staff costs		**28,489**	18,760
Contributions to defined contribution plans, included in staff costs		**252**	337

NOTES TO THE FINANCIAL STATEMENTS

7 TAX EXPENSE

	Group	
	2014	2013
	$'000	$'000
Tax expense recognised in profit and loss		
Current tax expense		
Current year	**1,816**	1,287
Under provision of tax in respect of prior years	**692**	88
Withholding tax suffered in foreign jurisdictions	**2,667**	4,004
	5,175	5,379
Deferred tax expense		
Origination and reversal of temporary differences	**(599)**	(1,220)
Over provision of tax in respect of prior years	**(2,057)**	(14)
	(2,656)	(1,234)
Total tax expense	**2,519**	4,145
Reconciliation of effective tax rate		
Profit before tax	**48,930**	4,657
Share of results of joint ventures (net of tax)	**(11,027)**	(18,528)
Profit/(loss) before tax excluding share of results of joint ventures	**37,903**	(13,871)
Tax calculated using Singapore tax rate of 17% (2013: 17%)	**6,443**	(2,358)
Effect of different tax rates in other countries	**(2,001)**	(2,536)
Income not subject to tax	**(11,958)**	(3,539)
Expenses not deductible for tax purposes	**10,743**	6,747
Withholding tax suffered	**2,667**	4,004
Deferred tax assets not recognised	**1,217**	1,776
(Over)/under provision of tax in respect of prior years	**(1,365)**	74
Recognition of tax effect of previously unrecognised tax losses	**(3,070)**	–
Foreign tax credit	**(310)**	–
Others	**153**	(23)
	2,519	4,145

Income and revenue taxes

The Group is subject to income and revenue taxes in several jurisdictions. Significant judgement is required to determine the capital allowances, the types and rates of taxes payable, deductibility of certain expenses, and taxability of certain income. There are many transactions during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax based on estimates of whether taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the revenue, provision for current tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

8 EARNINGS PER SHARE

		Group	
		2014	**2013**
		$'000	**$'000**
Basic earnings and diluted earnings per share is based on:			
(a)	Profit attributable to ordinary shareholders	**30,128**	23
		No. of shares ('000)	
(b)	Number of ordinary shares in issue at beginning of the year	**512,932**	410,345
	Effect of rights issue in April 2013	**–**	76,449
	Weighted average number of ordinary shares	**512,932**	486,794
Basic earnings and diluted earnings per share (cents)		**5.87**	–*

There are no outstanding warrants as at 31 December 2014 and 31 December 2013. The outstanding convertible bonds as at 31 December 2014 and 31 December 2013 were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

* *Less than 0.01 cent*

9 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**77,958**	43,123	**3,738**	1,914
Fixed deposits with banks	**252**	43	**40**	43
	78,210	43,166	**3,778**	1,957
Deposits pledged	**(13,847)**	(13,681)		
Cash and cash equivalents in the consolidated statement of cash flows	**64,363**	29,485		

The deposits pledged represent bank balances of subsidiaries pledged as security to obtain banking facilities as disclosed in Note 20.

The weighted average effective interest rates per annum relating to fixed deposits with banks at the reporting date for the Group and the Company are 1.16% (2013: 0.01%) and 0.01% (2013: 0.01%) respectively. Interest rates are repriced at intervals of one to three months.

The Group and the Company's exposure to interest rate risk and foreign currency risk, and sensitivity analysis for cash and cash equivalents are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

10 AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	**$'000**
Non-trade	**11,138**	10,333
Allowance for doubtful receivables	**(88)**	(88)
Loans and receivables	**11,050**	10,245

The amounts due from subsidiaries, which are mainly denominated in United States dollar, are unsecured and repayable on demand. These amounts are interest-free except for amounts of $10,731,000 (2013: $9,665,000) which bear fixed interest at 1% (2013: 1%) and Nil (2013: $375,000) which bear fixed interest of Nil (2013: 3.5%) respectively per annum.

The Company's exposure to credit risk, currency risk and impairment losses related to amounts due from subsidiaries is disclosed in Note 26.

11 TRADE RECEIVABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables from third parties	**53,323**	47,770	**7**	7
Impairment losses	**(3,654)**	(10,941)	**(7)**	(7)
	49,669	36,829	**–**	–
Trade receivables from joint ventures	**–**	101	**–**	–
Accrued revenue	**14,791**	10,937	**–**	–
Loans and receivables	**64,460**	47,867	**–**	–

Trade receivables denominated in currencies other than the Company's functional currency are mainly denominated in United States dollar.

The Group and the Company's exposure to credit risk, currency risk and impairment losses related to trade receivables are disclosed in Note 26.

12 CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Costs and attributable profits	**1,071**	2,195	**–**	–
Progress billings	**(399)**	(1,716)	**–**	–
	672	479	**–**	–
Comprising:				
Contract work-in-progress	**672**	745	**–**	–
Progress billings in excess of contract work-in-progress	**–**	(266)	**–**	–
	672	479	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

13 OTHER ASSETS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Non-trade amounts due from:				
– Joint ventures (note a)	**4,982**	18,966	**46**	2,264
Deposits	**2,368**	2,350	**62**	62
Recoverables (note b)	**–**	5,256	**5**	–
Staff loans and advances	**98**	71	**–**	–
Tax recoverables	**12,169**	8,520	**26**	206
Other receivables	**2,661**	1,093	**66**	26
	17,296	17,290	**159**	294
Impairment losses	**(5,055)**	(5,277)	**(9)**	(20)
	12,241	12,013	**150**	274
Loans and receivables	**17,223**	30,979	**196**	2,538
Prepayments	**2,045**	2,098	**1**	–
	19,268	33,077	**197**	2,538
Non-current				
Loan to a joint venture (note c)	**34,867**	36,387	**–**	–
Loans and receivables	**34,867**	36,387	**–**	–
Others	**319**	518	**301**	301
	35,186	36,905	**301**	301
Total loans and receivables	**52,090**	67,366	**196**	2,538

(a) Included in this amount is $3,185,000 (2013: $1,170,000) due from a joint venture in which director of the Company has significant influence. These relate to payments on behalf of joint ventures and the amounts are interest free, unsecured and repayable on demand.

(b) The amounts relate to upgrading expenditures of a rig owned by a former subsidiary of Atlantic Rotterdam Ltd ("ARL"). Upon the disposal of the former subsidiary, these recoverable amounts were assigned to an external party as part of the acquisition of ARL by the Group in 2007. The amounts are considered irrecoverable and were fully provided for in 2013. In 2014, the amounts were written off.

(c) The loan to a joint venture (a joint venture in which director of the Company has significant influence) is unsecured, bears interest at 7% (2013: 7%) per annum and is to be repaid in accordance to the agreed repayment schedule.

The Group and the Company's exposure to credit risk, foreign currency risk and impairment losses related to other assets are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES

The following tables summarise the financial information of the joint ventures, as adjusted for any differences in accounting policies and fair value adjustments. The tables also reconcile the summarised financial information to the carrying amount of the Group's interest in the joint ventures, which is accounted for using the equity method.

	KS Distribution Pte Ltd $'000	Yakki International Pte Ltd $'000	PT Java Star Rig $'000	Other individually immaterial joint ventures $'000	Total $'000
Group					
2014					
Percentage of interest	**55.35%**	**50%**	**49%**		
Assets and liabilities					
Non-current assets	**85,273**	**–**	**74,448**	**1,320**	**161,041**
Cash and cash equivalents	**33,285**	**–**	**8,300**	**276**	**41,861**
Current assets, excluding cash and cash equivalents	**319,011**	**–**	**5,845**	**6,607**	**331,463**
Non-current financial liabilities	**–**	**–**	**(10,103)**	**–**	**(10,103)**
Non-current trade and other payables	**(417)**	**–**	**(34,865)**	**–**	**(35,282)**
Other non-current liabilities	**(3,870)**	**–**	**(1,048)**	**–**	**(4,918)**
Current financial liabilities	**(138,669)**	**–**	**(15,727)**	**–**	**(154,396)**
Current trade and other payables	**(66,265)**	**–**	**(3,783)**	**(91)**	**(70,139)**
Other current liabilities	**(4,365)**	**–**	**(359)**	**–**	**(4,724)**
Non-controlling interests	**(3,016)**	**–**	**–**	**–**	**(3,016)**
Net assets, excluding non-controlling interests	**220,967**	**–**	**22,708**	**8,112**	**251,787**
Group's share of net assets	**122,305**	**–**	**22,708**	**4,043**	**149,056**
Excess of purchase consideration over share of net assets acquired, net of impairment losses	**3,487**	**–**	**–**	**–**	**3,487**
Unrealised profits	**–**	**–**	**(3,746)**	**–**	**(3,746)**
Other adjustments	**(3,228)**	**–**	**(1,322)**	**292**	**(4,258)**
Carrying amounts in the statement of financial position	**122,564**	**–**	**17,640**	**4,335**	**144,539**

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

	KS Distribution Pte Ltd $'000	Yakki International Pte Ltd $'000	PT Java Star Rig $'000	Other individually immaterial joint ventures $'000	Total $'000
Group					
2014					
Percentage of interest	**55.35%**	**50%**	**49%**		
Results					
Revenue	**522,622**	**–**	**25,351**	**–**	**547,973**
Depreciation and amortisation	**(9,261)**	**–**	**(8,066)**	**–**	**(17,327)**
Interest income	**1,684**	**–**	**1**	**–**	**1,685**
Interest expense	**(3,361)**	**–**	**(4,810)**	**–**	**(8,171)**
Profit before tax	**7,080**	**19,445***	**10,991**	**(8)**	**37,508**
Tax expense	**(2,668)**	**–**	**(1,829)**	**–**	**(4,497)**
Profit after tax	**4,412**	**19,445**	**9,162**	**(8)**	**33,011**
Other comprehensive income	**1,891**	**–**	**–**	**–**	**1,891**
Total comprehensive income	**6,303**	**19,445**	**9,162**	**(8)**	**34,902**
Total comprehensive income attributable to owners of the Company	**6,538**	**19,445**	**9,162**	**(8)**	**35,137**
Group's share of total comprehensive income	**3,619**	**9,722**	**9,162**	**(4)**	**22,499**
Other adjustments	**(1,737)**	**(9,735)**	**–**	**–**	**(11,472)**
Group's share of results of joint ventures (net of tax)	**1,882**	**(13)**	**9,162**	**(4)**	**11,027**

* During the year, shareholders waived a shareholder loan of US$15.3 million. The loan was waived in proportion to the shareholding and has no significant impact on the Group's result.

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

	KS Distribution Pte Ltd $'000	Yakki International Pte Ltd $'000	PT Java Star Rig $'000	Other individually immaterial joint ventures $'000	Total $'000
Group					
2013					
Percentage of interest	55.35%	50%	49%		
Assets and liabilities					
Non-current assets	81,700	–	78,927	1,263	161,890
Cash and cash equivalents	24,882	1,468	6,904	275	33,529
Current assets, excluding cash and cash equivalents	297,194	1	5,194	6,322	308,711
Non-current financial liabilities	(8,852)	–	(24,718)	–	(33,570)
Non-current trade and other payables	(1,617)	–	(36,387)	–	(38,004)
Other non-current liabilities	(4,112)	–	–	–	(4,112)
Current financial liabilities	(97,606)	–	(14,938)	–	(112,544)
Current trade and other payables	(67,696)	(20,940)	(2,430)	(9,078)	(100,144)
Other current liabilities	(3,600)	–	–	–	(3,600)
Non-controlling interests	(3,400)	–	–	–	(3,400)
Net assets, excluding non-controlling interests	216,893	(19,471)	12,552	(1,218)	208,756
Group's share of net assets	120,050	(9,736)	12,552	(620)	122,246
Excess of purchase consideration over share of net assets acquired, net of impairment losses	3,487	–	–	–	3,487
Unrealised profits	–	–	(4,029)	–	(4,029)
Other adjustments	(2,856)	10,459	(1,263)	881	7,221
Carrying amounts in the statement of financial position	120,681	723	7,260	261	128,925

NOTES TO THE FINANCIAL STATEMENTS

14 **JOINT VENTURES** (CONTINUED)

	KS Distribution Pte Ltd $'000	Yakki International Pte Ltd $'000	PT Java Star Rig $'000	Other individually immaterial joint ventures $'000	Total $'000
Group					
2013					
Percentage of interest	55.35%	50%	49%		
Results					
Revenue	519,268	–	25,449	–	544,717
Depreciation and amortisation	(9,423)	–	(7,293)	–	(16,716)
Interest income	757	–	1	–	758
Interest expense	(3,296)	–	(5,103)	–	(8,399)
Profit/(loss) before tax	9,314	(4,056)	11,234	(2,529)	13,963
Tax (expense)/credit	(2,272)	742	–	–	(1,530)
Profit/(loss) after tax	7,042	(3,314)	11,234	(2,529)	12,433
Other comprehensive income	538	–	–	–	538
Total comprehensive income/(loss)	7,580	(3,314)	11,234	(2,529)	12,971
Total comprehensive income/ (loss) attributable to owners of the Company	6,660	(3,314)	11,234	(2,529)	12,051
Group's share of total comprehensive income/(loss)	3,686	(1,657)	11,234	(1,264)	11,999
Realisation of unrealised profits	–	5,957	–	–	5,957
Other adjustments	(890)	1,428	–	34	572
Group's share of results of joint ventures (net of tax)	2,796	5,728	11,234	(1,230)	18,528
Cash dividends received by the Group	3,875	–	–	–	3,875

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

	Company	
	2014	2013
	$'000	$'000
Investments in joint ventures	**176,804**	176,804
Loans to joint ventures	**–**	10,459
Impairment losses	**(52,195)**	(54,701)
	124,609	132,562

The loans to joint ventures are mainly denominated in United States dollar, unsecured and interest-free. The settlement of these loans is neither planned nor likely to occur in the foreseeable future. These loans form part of the Company's net investments in the joint ventures and are stated at cost less accumulated impairment losses.

Impairment

Group

Included in the Group's carrying amounts of joint ventures is an impairment of $42,935,000 relating to its investment in the Distribution cash-generating unit (CGU). The impairment was based on the CGU's value-in-use calculated over a 10-year period. The cash flow projections were based on budgets approved by the board of directors. A discount rate of 10% p.a. was applied.

In 2014, management calculated the recoverable amounts of the Distribution CGU based on value-in-use calculations and concluded that no additional provision for impairment or reversal of impairment loss is necessary.

Company

Management evaluates whether there is any objective evidence that its investments in and loans to joint ventures are impaired and determines the amount of impairment loss based on the recoverable amounts of the joint ventures. The impairment test on the investments in and loans to certain joint ventures was triggered because of the below expectation financial performance of the joint ventures and/or decline in value of the rigs owned by the joint ventures. For impairment testing, each joint venture is a separate CGU.

The change in impairment losses in respect of the Company's investments in and loans to joint ventures during the year is as follows:

	Company	
	2014	2013
	$'000	$'000
At 1 January	**54,701**	14,301
Impairment losses recognised	**7,565**	44,879
Amounts utilised	**(10,071)**	(4,479)
At 31 December	**52,195**	54,701

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

Impairment (Continued)

Company (Continued)

As at 31 December 2014, the recoverable amount of the Distribution CGU with a carrying value of $131.8 million were based on value-in-use calculations based on the following key assumptions:

- Cash flows were projected over a 10-year period, based on past experience, actual operating results and the financial budgets approved by the board of directors. The cash flow projections assumed growth of between 2% to 5% (2013: 5%) per annum;
- Operating expenses growth of between 2% to 3% (2013: 3%) per annum;
- Discount rate of 10.5% (2013: 10%) based on the relevant industry average weighted average cost of capital; and
- A terminal value of 2% (2013: 2%) which does not exceed the long term average growth rate for the industry in which the CGU operates.

Based on the above assessment, management recognised an impairment loss of $7,565,000 (2013: $44,879,000) in 2014 in "Other operating expenses".

Source of estimation uncertainty

The Group maintains impairment losses at a level considered adequate to provide for potential non-recoverability of the carrying value of its investments in joint ventures and the loans to joint ventures. The level of allowance is evaluated on the basis of factors that affect the recoverability of the investments and loans. These factors include, but are not limited to, the activities and financial position of the entities and market factors. The Group reviews and identifies balances that are to be impaired on a regular basis. The amount and timing of recorded expenses for any period would differ if there are changes to judgement or estimates. An increase in the impairment losses would decrease the reported profit and decrease the carrying value of the investments in joint ventures and/or the loans to joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Ownership interest held by the Group	
			2014 %	2013 %
KS Distribution Pte. Ltd[1,2] and its subsidiaries	Trading of hydraulic products, hardware products, tools and equipment and provision of design engineering and fabrication of system equipment for industrial applications to the marine and oil and gas industries	Singapore	**55**	55
FODE-AOS Operating Company Limited[4]	Dormant	West Africa	**40**	40
KT Lion Oilfield Services Limited[1]	Liquidated	British Virgin Islands	**–**	70
New Strong Group Limited	Investment holding	British Virgin Islands	**50**	50
Yakki International Pte. Ltd.[2]	Ownership and chartering of an offshore rig	Singapore	**50**	50
PT KS Drilling Indonesia[4]	Investment holding	Indonesia	**49**	49
PT Java Star Rig[3,4]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**49**	49

1 Even though the Group owns more than half of the equity interests in the entity, it has only joint control over the entity, established by contractual agreement which requires unanimous consent over decisions about relevant activities. Consequently, the Group does not consolidate its investment in this entity.

2 Audited by KPMG LLP, Singapore.

3 Audited by Anwar, Sugiharto & Rekan – Member of DFK International.

The rest of the joint ventures are not considered significant in accordance with Rule 718 of the SGX-ST Listing Manual. For this purpose, a joint venture is considered significant as defined under the SGX Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

4 Interests held by KS Drilling Pte Ltd and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

14 JOINT VENTURES (CONTINUED)

Commitments

In respect of the Group's interest in the joint ventures, a joint venture is committed to acquire plant and equipment of $Nil (2013: $10,000,000), of which the Group's share of commitment is $Nil (2013: $5,535,000). A joint venture also leases offices and warehouses for 30 years with future minimum lease payments under non-cancellable operating leases amounting to $15,189,000 (2013: $13,186,000), of which the Group's share of commitment is $8,407,000 (2013: $7,298,000).

15 SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	**$'000**
Unquoted shares, at cost	**225,282**	228,346
Loans to subsidiaries	**105,935**	101,373
	331,217	329,719
Impairment losses	**(84,498)**	(86,467)
	246,719	243,252

The loans to subsidiaries are mainly denominated in United States dollars, are unsecured and interest-free. The settlement of these loans is neither planned nor likely to occur in the foreseeable future. These loans form part of the Company's net investment in the subsidiaries and are stated at cost less accumulated impairment losses.

Impairment

The change in impairment losses in respect of investments in and loans to subsidiaries during the year is as follows:

	Company	
	2014	**2013**
	$'000	**$'000**
At 1 January	**86,467**	85,510
Impairment losses recognised	**–**	957
Impairment losses utilised	**(1,969)**	–
At 31 December	**84,498**	86,467

In 2014, impairment loss on the investment in certain subsidiary of $1,969,000 was utilised due to the liquidation of the subsidiary.

In 2013, the impairment test on the investments in and loans to certain subsidiary was triggered because of the poor financial performance of the subsidiary. Based on the recoverable amounts of the net assets owned by the subsidiary, the Company recognised an impairment loss on investments in and loans to subsidiaries of $957,000 in "Other operating expenses".

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES (CONTINUED)

Source of estimation uncertainty

The Company maintains impairment losses at a level considered adequate to provide for potential non-recoverability of the investments in and loans to subsidiaries. The level of allowance is evaluated on the basis of factors that affect the recoverability of the investments and loans. These factors include, but are not limited to, the activities and financial position of the entities and market conditions. The Company reviews and identifies balances that are to be impaired on a regular basis. The amount and timing of recorded expenses for any period would differ if there are changes in judgement or estimates. An increase in the impairment losses would decrease the Company's profit and decrease the carrying value of the investments in and/or loans to subsidiaries.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective interest held by the Group	
			2014	2013
			%	%
KS Fabrication and Engineering Pte. Ltd.[1]	Investment holding	Singapore	**100**	100
Globaltech Systems Engineering Pte. Ltd.[1]	Provides engineering design, project management, procurement and supply of custom-built system equipment for the marine, offshore oil & gas, petrochemical, refinery and power generation industries	Singapore	**82**	82
PT Globaltech Systems Engineering	Provides engineering design, project management, procurement and supply of custom-built system equipment for the marine, offshore oil & gas, petrochemical, refinery and power generation industries	Indonesia	**78**	78
Harta Holding Pte. Ltd.[1]	In process of liquidation	Singapore	**100**	100
Harta Offshore & Marine Services Pte. Ltd.[1]	In process of liquidation	Singapore	**100**	100
KS Drilling Pte. Ltd.[1]	Investment holding	Singapore	**80**	80

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective interest held by the Group	
			2014	2013
			%	%
KS Discoverer 1 Pte. Ltd.[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Singapore	**80**	80
KS Discoverer 2 Pte. Ltd.[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Singapore	**80**	80
KS Discoverer 4 Pte. Ltd.[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Singapore	**80**	80
KS Discoverer 3 (HK) Limited	Ownership and leasing of equipment and provision of services to the oil and gas industry	Hong Kong	**80**	80
KS Discovery (HK) Limited	Investment holding	Hong Kong	**80**	80
QIM Ventures Limited[2]	Ownership and leasing of jack up rigs and provision of services to the oil and gas industry	Cyprus	**80**	80
Atlantic Marine Service Egypt[2]	Provision of services for oil and gas industry	Egypt	**80**	80
Atlantic Marine Services (Cyprus) Group Ltd.[2]	Provision of rig management and support services to the oil and gas industry	Cyprus	**80**	80
Atlantic Oilfield Services Europe B.V.[2]	Development of business prospects in the onshore/ offshore/marine industries and management of accommodation-platforms	Netherlands	**80**	80

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective interest held by the Group 2014 %	2013 %
Atlantic Onshore Services B.V.[2]	Development of business prospects in the onshore/ offshore/marine industries and management of accommodation-platforms/rigs	Netherlands	**80**	80
PT Petro Papua Energi[3]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**72**	48
PT Atlantic Oilfield Services[3]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**76**	76
KS Drilling Operating Company[2] Ltd (formerly known as Mineral Energy Reserves Driller Inc)	Trading and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80
KSAM2 Petrodrill Offshore Inc.	Ownership and chartering of jack up rigs and provision of services for oil and gas industry	British Virgin Islands	**80**	80
KS Rig Invest Pte Ltd	Investment holding	Singapore	**80**	80
KS Rig Invest One Pte Ltd	Inactive	Singapore	**80**	80
KS Rig Invest Two Pte Ltd	Inactive	Singapore	**80**	80
KS Rig Invest Three Ltd[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	–
KS Rig Invest Five Ltd[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	–

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective interest held by the Group 2014 %	2013 %
KS Rig Invest Six Ltd[1]	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	–
KS Oilfield Equipment Pte. Ltd.	In process of liquidation	Singapore	**100**	100
KS Oilfield Services Ltd[2]	Provision of oilfield support and consultancy services	Mauritius	**100**	100
KS Resources Pte Ltd	Inactive	Singapore	**100**	100
KSE (Philippines) Pte Ltd	In process of liquidation	Singapore	**100**	100
S&E Cumford (Thailand) Ltd	Inactive	Thailand	**100**	100
Sphinx Frontier Ltd.	Investment holding	British Virgin Islands	**100**	100
Atlantic Rotterdam Limited[1]	Provision of rig rental, rig management and support services to the oil and gas industry	Bermuda	**100**	100
United Oilfield Services Pte. Ltd.	In process of liquidation	Singapore	**100**	100

[1] KPMG LLP, Singapore is the auditor of all significant Singapore-incorporated subsidiaries and Atlantic Rotterdam Limited.

[2] Audited by other member firms of KPMG International.

[3] Audited by Anwar, Sugiharto & Rekan – Member of DFK International.

The remaining foreign incorporated subsidiaries are not considered significant in accordance with Rule 718 of the SGX-ST Listing Manual. For this purpose, a subsidiary is considered significant as defined under the SGX Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations.

	KS Drilling Pte Ltd and its subsidiaries $'000	Globaltech Systems Engineering Pte Ltd and its subsidiary $'000	Total $'000
2014			
NCI percentage	**20%**	**18%**	
Non-current assets	**597,826**	**169**	**597,995**
Current assets	**148,971**	**5,864**	**154,835**
Non-current liabilities	**(251,271)**	**(12)**	**(251,283)**
Current liabilities	**(123,604)**	**(5,968)**	**(129,572)**
Net assets	**371,922**	**53**	**371,975**
Carrying amount of NCI	**73,951**	**453**	**74,404**
Revenue	**209,958**	**7,698**	**217,656**
Profit/(loss) after tax	**66,859**	**(826)**	**66,033**
Other comprehensive expense	**63**	**7**	**70**
Total comprehensive income/(loss)	**66,922**	**(819)**	**66,103**
Profit/(loss) allocated to NCI	**16,432**	**(149)**	**16,283**
Cash flows from/(used in) operating activities	**51,631**	**(72)**	**51,559**
Cash flows (used in)/from investing activities	**(163,875)**	**246**	**(163,629)**
Cash flows from/(used in) financing activities, before dividends to NCI	**148,347**	**(72)**	**148,275**
Net increase in cash and cash equivalents	**36,103**	**102**	**36,205**

NOTES TO THE FINANCIAL STATEMENTS

15 SUBSIDIARIES (CONTINUED)

Non-controlling interests in subsidiaries (Continued)

	KS Drilling Pte Ltd and its subsidiaries $'000	Globaltech Systems Engineering Pte Ltd and its subsidiary $'000	Total $'000
2013			
NCI percentage	20%	18%	
Non-current assets	391,813	192	392,005
Current assets	107,571	3,605	111,176
Non-current liabilities	(92,851)	(11)	(92,862)
Current liabilities	(109,315)	(2,913)	(112,228)
Net assets	297,218	873	298,091
Carrying amount of NCI	55,615	616	56,231
Revenue	144,034	8,568	152,602
Profit/(loss) after tax	6,428	(2,031)	4,397
Other comprehensive expense	(96)	(60)	(156)
Total comprehensive income/(loss)	6,332	(2,091)	4,241
Profit/(loss) allocated to NCI	855	(366)	489
Cash flows from/(used in) operating activities	46,223	(2,683)	43,540
Cash flows (used in)/from investing activities	(46,488)	1,930	(44,558)
Cash flows from financing activities, before dividends to NCI	6,044	29	6,073
Net increase/(decrease) in cash and cash equivalents	5,779	(724)	5,055

NOTES TO THE FINANCIAL STATEMENTS

16 PLANT AND EQUIPMENT

	Plant and machinery $'000	Rigs $'000	Renovation, furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Group						
Cost						
At 1 January 2013	15,437	465,455	3,330	1,321	385	485,928
Additions	835	96,506	122	164	–	97,627
Write-off	–	(2,220)	–	(38)	–	(2,258)
Disposals	–	–	–	(19)	–	(19)
Translation differences	529	16,002	24	13	10	16,578
At 31 December 2013	16,801	575,743	3,476	1,441	395	597,856
Additions	–	288,585	46	93	–	288,724
Write-off	–	(175)	(22)	(76)	–	(273)
Disposals	–	(56,773)	–	(8)	–	(56,781)
Translation differences	755	24,197	39	25	18	25,034
At 31 December 2014	**17,556**	**831,577**	**3,539**	**1,475**	**413**	**854,560**
Accumulated depreciation and impairment losses						
At 1 January 2013	12,444	147,094	1,795	1,178	114	162,625
Depreciation charge for the year	539	36,796	404	118	45	37,902
Write-off	–	(1,269)	–	(36)	–	(1,305)
Disposals	–	–	–	(18)	–	(18)
Translation differences	433	2,967	17	9	1	3,427
At 31 December 2013	13,416	185,588	2,216	1,251	160	202,631
Depreciation charge for the year	578	54,978	381	110	45	56,092
Impairment	–	12,188	–	–	–	12,188
Write-off	–	(140)	(22)	(76)	–	(238)
Disposals	–	(84)	–	(6)	–	(90)
Translation differences	631	10,826	34	24	9	11,524
At 31 December 2014	**14,625**	**263,356**	**2,609**	**1,303**	**214**	**282,107**
Carrying amounts						
At 1 January 2013	2,993	318,361	1,535	143	271	323,303
At 31 December 2014	3,385	390,155	1,260	190	235	395,225
At 31 December 2014	**2,931**	**568,221**	**930**	**172**	**199**	**572,453**

NOTES TO THE FINANCIAL STATEMENTS

16 PLANT AND EQUIPMENT (CONTINUED)

	Renovation, furniture and fittings $'000	Office equipment $'000	Total $'000
Company			
Cost			
At 1 January 2013	2,420	718	3,138
Additions	–	13	13
Write-off	–	(31)	(31)
At 31 December 2013	2,420	700	3,120
Additions	3	3	6
Write-off	(3)	(64)	(67)
At 31 December 2014	**2,420**	**639**	**3,059**
Accumulated depreciation and impairment losses			
At 1 January 2013	1,193	685	1,878
Depreciation charge for the year	240	28	268
Write-off	–	(31)	(31)
At 31 December 2013	1,433	682	2,115
Depreciation charge for the year	220	12	232
Write-off	(3)	(64)	(67)
At 31 December 2014	**1,650**	**630**	**2,280**
Carrying amounts			
At 1 January 2013	1,227	33	1,260
At 31 December 2013	987	18	1,005
At 31 December 2014	**770**	**9**	**779**

Assets under construction

At 31 December 2014, rigs include assets under construction with total costs capitalised of $65,318,000 (2013: $89,909,000). Included in the costs capitalised of rigs and assets under construction are borrowing costs amounting to $644,000 (2013: $1,461,000) with a capitalisation rate of 2.92% – 3.25% (2013: 1.98% – 6.73%).

NOTES TO THE FINANCIAL STATEMENTS

16 PLANT AND EQUIPMENT (CONTINUED)

The depreciation charge of the Group is recognised in the following line items of the statement of profit or loss:

	2014 $'000	2013 $'000
Direct depreciation	**50,720**	34,196
Other operating expenses	**5,372**	3,706
	56,092	37,902

When a rig is on-hire, depreciation charge is allocated to direct depreciation whereas if it is off-hire, depreciation charge is allocated to other operating expenses. Depreciation charges of other categories of plant and equipment are presented as other operating expenses.

At 31 December 2014, the Group's rigs with total carrying amount of $502,910,000 (2013: $320,114,000) are pledged as securities to secure bank loans (see Note 20).

At 31 December 2014, the carrying amount of plant and equipment held by the Group under finance leases amounted to $5,300 (2013: $17,000).

Impairment

Rigs

The Group evaluates, amongst other factors, the business outlook for the rig industry, including factors such as laws and regulations applicable to the assets, and changes in economic and market conditions. Indicators of possible impairment during the financial year include loss from operations, extended periods of idle time and/or inability to contract specific assets or groups of assets.

For the purposes of impairment assessment, each rig is a separate CGU. A total of 11 (2013: 10) CGUs have been identified. Management assessed the recoverable amounts of the rigs based on either their value in use, or fair value less costs to sell which is based on valuation reports by independent professional valuers. A total impairment loss of $12,188,000 has been recognised in 2014, consisting of the following:

At 31 December 2014, one of the Group's rigs belonging to the Drilling segment, which has been off-hire since August 2011, was impaired to its fair value less cost of disposal of $7,928,000. The fair value was determined by an external, independent valuation company by estimating its open market valuation on a willing buyer willing seller basis, based on the recent selling prices of rigs with similar specification, age and condition. The fair value was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The significant unobservable inputs used in the valuation were the recent selling prices of rigs with similar specification, age and condition. To arrive at the recoverable amount, the estimated fair value has been further adjusted to reflect the additional costs that would have to be incurred in order to sell the rig. Based on these estimates, an impairment loss of $8,224,000 was recognised in "Other operating expenses".

NOTES TO THE FINANCIAL STATEMENTS

16 PLANT AND EQUIPMENT (CONTINUED)

Impairment (Continued)

Rigs (Continued)

The recoverable amounts of a particular rig with carrying value of $32.9 million were based on value-in-use calculations based on the following key assumptions:

- Cash flows were projected based on past experience and actual operating results for the estimated remaining useful life of the rig;
- Charter rates were included based on actual historical rates for FY2015 to FY2020. Day rates are expected to increase 2% per annum.
- Utilisation rate of 90% was used in the cash flow computation;
- Pre-tax discount rate of 12% was estimated based on weighted average cost of capital for similar assets; and
- Residual values of $1,320,000 (US$1,000,000) based on scrap value were used in the cash flow computation.

Based on the above assessment, management recognised an impairment loss of $3,964,000 in 2014 in "Other operating expenses".

In 2013, the carrying amounts of all of the Group's CGUs were supported by their recoverable amounts determined based on valuation reports issued by independent professional valuers, and therefore no impairment loss has been recognised.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives. The Group reviews the estimated useful lives of the assets regularly based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use of the assets and the technological changes could impact the economic useful lives and the residual values of the assets, therefore future depreciation charges could be revised. Any changes in the economic useful lives could impact the depreciation charges and consequently affect the Group's results.

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Group				
Cost				
At 1 January 2013	6,064	778	1,983	8,825
Additions	–	95	–	95
Write-off	–	(277)	–	(277)
Translation differences	184	16	68	268
At 31 December 2013	6,248	612	2,051	8,911
Additions	–	170	–	170
Translation differences	248	16	92	356
At 31 December 2014	**6,496**	**798**	**2,143**	**9,437**
Accumulated amortisation and impairment losses				
At 1 January 2013	2,668	678	794	4,140
Amortisation charge during the year	–	90	404	494
Write-off	–	(277)	–	(277)
Translation differences	92	14	33	139
At 31 December 2013	2,760	505	1,231	4,496
Amortisation charge during the year	–	159	409	568
Translation differences	124	13	74	211
At 31 December 2014	**2,884**	**677**	**1,714**	**5,275**
Carrying amounts				
At 1 January 2013	3,396	100	1,189	4,685
At 31 December 2013	3,488	107	820	4,415
At 31 December 2014	**3,612**	**121**	**429**	**4,162**

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for cash-generating units containing goodwill

The aggregate carrying amounts of goodwill are allocated as follows:

	2014 $'000	2013 $'000
Drilling business	**2,885**	2,761
Engineering business	**727**	727
	3,612	3,488

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions or CGUs which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in Note 30.

The recoverable amount was determined based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU over the remaining useful lives of the assets. The calculation of the value in use was based on the following key assumptions:

Drilling business

- Charter rates were included based on contracted rates for periods with existing contracts and expected charter rates with growth between 0% to 10% (2013: 5%) per annum for the subsequent periods, based on the mid range of forecast Indonesia oil and gas growth rate;
- Utilisation rates of between 80% to 90% (2013: 90%) for the underlying assets were used in the cash flow computation based on their historical utilisation;
- Cash flows were projected for the period until 2027 (2013: 2027) which reflects the remaining useful lives of the underlying assets;
- No terminal value was considered in the cash flows for 2014 and 2013; and
- Pre-tax discount rate of 12% (2013: 12%) was applied in determining the recoverable amount of the CGU. The discount rate used reflects the risk-free rate and the premium for specific risks relating to the business unit.

In 2014 and 2013, based on the key assumptions, the recoverable amount of each CGU exceeds the carrying amount of the assets and goodwill within each CGU.

NOTES TO THE FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (CONTINUED)

Source of estimation uncertainty

Management uses judgements to determine the potential future cash flows from the continuing use of groups of CGUs containing goodwill. Any significant changes in the business environment and estimates can affect the carrying values of the acquired goodwill. The level of allowance is evaluated by the Group on the basis of factors that affect the recoverable amounts of the acquired goodwill. These factors include, but are not limited to, the activities and financial position of the entities and market factors. The Group reviews and identifies balances that are to be impaired on a regular basis, or at least annually. The amount and timing of recorded expenses for any period would differ if there are changes to the judgement or estimates. An increase in the impairment losses would decrease the reported profit and decrease the carrying value of the acquired goodwill.

Other intangible assets

The amortisation charge of other intangible assets is recognised in profit or loss under other operating expenses.

The carrying amount of the intangible assets is amortised on a straight-line basis over the remaining useful life of each intangible asset. Management reviews and revises the estimation of the remaining useful life of intangible assets at the end of each financial year. Any changes in the useful life of intangible assets would impact the amortisation charges and consequently affect the Group's result.

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade payables:				
– Third parties	**13,839**	17,994	**–**	–
– Joint ventures	**6,053**	2,226	**–**	–
	19,892	20,220	**–**	–
Non-trade payables:				
– Joint ventures	**503**	752	**35**	–
– Related parties	**157**	1,415	**–**	–
Accrued operating expenses	**21,699**	14,722	**2,792**	2,450
Deposits received	**661**	632	**–**	–
Other payables	**1,788**	8,868	**438**	523
Financial liabilities at amortised cost	**44,700**	46,609	**3,265**	2,973
Non-current				
Non-trade payables to a joint venture	**3,302**	3,161	**3,302**	3,161
Other payables	**1,277**	622	**–**	–
Financial liabilities at amortised cost	**4,579**	3,783	**3,302**	3,161
Total trade and other payables	**49,279**	50,392	**6,567**	6,134
Total financial liabilities at amortised cost	**49,279**	50,392	**6,567**	6,134

NOTES TO THE FINANCIAL STATEMENTS

18 TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables to joint ventures includes $2,325,000 (2013: $2,226,000) due to a joint venture in which director of the Company has significant influence.

The amounts due to related parties and the non-trade amounts due to joint ventures are unsecured, interest-free and are repayable on demand.

The non-current non-trade payables to a joint venture are unsecured, interest free and not expected to be repaid within the next 12 months.

Trade and other payables denominated in currencies other than the company's functional currency relate mainly to those denominated in United States dollar.

The Group and the Company's exposure to liquidity risk, foreign currency risk and interest rate risk are disclosed in Note 26.

19 AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2014 $'000	**2013 $'000**
Non-trade payables:		
– Current	**6,792**	4,725
Financial liabilities at amortised cost	**6,792**	4,725

The amounts due to subsidiaries, which are mainly denominated in United States dollar, are unsecured, interest-free and repayable on demand except for an amount of $3,232,000 at 31 December 2014 bearing fixed interest at 1% per annum.

In 2013, an amount due to a subsidiary of $21,663,000 was waived upon the liquidation of that subsidiary.

The Company's exposure to liquidity risk, foreign currency risk and interest rate risk is disclosed in Note 26.

20 FINANCIAL LIABILITIES

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current				
Bills payable to banks (unsecured)	**439**	478	**–**	–
Secured bank loans	**94,116**	70,033	**–**	–
Unsecured bank loans	**3,304**	3,161	**3,304**	3,161
Convertible bonds	**18,275**	–	**18,275**	–
Finance lease liabilities	**5**	13	**–**	–
	116,139	73,685	**21,579**	3,161
Non-current				
Secured bank loans	**249,891**	106,834	**–**	–
Convertible bonds	**47,724**	62,389	**47,724**	62,389
Finance lease liabilities	**–**	4	**–**	–
	297,615	169,227	**47,724**	62,389
Total financial liabilities	**413,754**	242,912	**69,303**	65,550
Financial liabilities at amortised cost	**413,754**	242,912	**69,303**	65,550

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL LIABILITIES (CONTINUED)

The secured bank loans are secured over the rights and benefits arising from the Group's rigs with the carrying amount of $502,910,000 (2013: $320,114,000).

Finance lease liabilities

The secured finance lease liabilities relate to hire purchase liabilities secured on certain motor vehicles of the Group.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

			2014		2013	
	Nominal interest rate	**Year of maturity**	**Face value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
Group						
Finance lease liabilities	7.5%	2015	**15**	**5**	17	17
Convertible bonds	3.0% – 6.0%	2015 – 2016	**70,195**	**65,999**	70,195	62,389
Bank loans (secured)	(COF+3.05%) SIBOR 3% – SIBOR 3.15%					
	5.75% – 6.25%	2015 – 2021	**332,327**	**344,007**	178,420	176,867
Bank loans (unsecured)	2%	2015	**3,304**	**3,304**	3,161	3,161
Bills payable to banks	COF + 1.25%	2015	**439**	**439**	478	478
			406,280	**413,754**	252,271	242,912
Company						
Convertible bonds	3.0% – 6.0%	2015 – 2016	**70,195**	**65,999**	70,195	62,389
Bank loans (unsecured)	2%	2015	**3,304**	**3,304**	3,161	3,161
			73,499	**69,303**	73,356	65,550

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule (Continued)

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash outflows		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**After 1 year but within 5 years $'000**
Group				
2014				
Non-derivative financial liabilities				
Variable interest rate loans	**347,311**	**370,809**	**95,178**	**275,631**
Finance lease liabilities	**5**	**5**	**5**	**–**
Bills payable	**439**	**439**	**439**	**–**
Convertible bonds	**65,999**	**73,750**	**21,400**	**52,350**
Trade and other payables	**49,279**	**49,279**	**44,700**	**4,579**
	463,033	**494,282**	**161,722**	**332,560**
2013				
Non-derivative financial liabilities				
Variable interest rate loans	180,028	192,735	80,599	112,136
Finance lease liabilities	17	17	13	4
Bills payable	478	481	481	–
Convertible bonds	62,389	77,710	3,210	74,500
Trade and other payables	50,658	50,658	46,875	3,783
	293,570	321,601	131,178	190,423
Company				
2014				
Non-derivative financial liabilities				
Variable interest rate loans	**3,304**	**3,370**	**3,370**	**–**
Convertible bonds	**65,999**	**73,750**	**21,400**	**52,350**
Trade and other payables	**6,567**	**6,567**	**3,265**	**3,302**
Amounts due to subsidiaries	**6,792**	**6,792**	**6,792**	**–**
	82,662	**90,479**	**34,827**	**55,652**
2013				
Non-derivative financial liabilities				
Variable interest rate loans	3,161	3,240	3,240	–
Convertible bonds	62,389	77,710	3,210	74,500
Trade and other payables	6,134	6,134	2,973	3,161
Amounts due to subsidiaries	4,725	4,725	4,725	–
	76,409	91,809	14,148	77,661

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule (Continued)

The maturity analysis shows the undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

The Group has secured bank loans which contain debt covenants. A breach of these covenants may require the Group to repay the loan earlier than indicated in the table above. The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

Maturity of financial liabilities (excluding finance lease liabilities) are payable as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Payable:				
– Within 1 year	**160,834**	120,547	**31,636**	6,134
– After 1 year but within 5 years	**302,194**	173,006	**51,026**	65,550
Total	**463,028**	293,553	**82,662**	71,684

The weighted average effective interest rates per annum relating to borrowings at the reporting dates for the Group and the Company are as follows:

	2014	**2013**	**2014**	**2013**
	%	**%**	**%**	**%**
Bills payable	**2.88**	3.18	**–**	–
Bank loans	**3.61**	3.90	**1.78**	1.71

The interest rates for the above bank borrowings are repriced at intervals of one to six months.

The Group and the Company's exposure to interest rate risk, foreign currency risk and sensitivity analysis for financial liabilities are disclosed in Note 26.

Convertible bonds

	Group and Company	
	2014	**2013**
	$'000	**$'000**
As at 1 January	**62,389**	106,946
Proceeds from issue of 2016 Convertible Bonds	**–**	45,000
Transaction costs	**–**	(864)
Amount classified as equity	**–**	(1,795)
Deferred tax	**–**	(382)
Accretion expense	**3,610**	2,241
Amortisation of transaction costs	**–**	1,243
Redemption of 2015 Convertible Bonds	**–**	(90,000)
As at 31 December	**65,999**	62,389

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL LIABILITIES (CONTINUED)

2015 Convertible Bonds

In 2010, the Company issued $107,000,000 in principal amount of 3.00% convertible bonds due in 2015 ("2015 Convertible Bonds") pursuant to the purchase agreements entered into with TAEL One Partners Ltd on 25 January 2010 and then with DnB NOR Bank ASA and TAEL One Partners Ltd on 12 May 2010. The main terms of the agreement are as follows:

(a) The 2015 Convertible Bonds are convertible into 66.875 million shares of the Company at an initial conversion price of $1.60 per share.

(b) The conversion right may be exercised at the option of the bondholder, at any time until the date falling ten days prior to the maturity date, on or about 26 March 2015, subject to customary closed periods.

(c) The 2015 Convertible Bonds can be mandatorily convertible on or at any time after 26 March 2013, in whole but not in part into shares of the Company on the date fixed for mandatory conversion, provided that no such mandatory conversion may be made unless the volume weighted average price of the shares for each of the 30 consecutive trading days, the last of which occurs not more than 5 days prior to the date on which notice of conversion is given, was at least 130 per cent of the then applicable conversion price.

(d) The 2015 Convertible Bonds can be fully redeemed at the holders' options on 26 March 2013 at 100% of the principal amount or held to maturity and redeemed on 26 March 2015 at 108.5% of the principal amount.

(e) The 2015 Convertible Bonds bear interest at the rate of 3.00% per annum, payable semi-annual basis.

(f) The yield-to-maturity is 7.00% per annum, calculated on a semi-annual basis.

(g) The 2015 Convertible Bonds become repayable on demand if there is a change of control of the Company if the Company's shares are de-listed or suspended from trading for a period equal to or exceeding 20 trading days.

In 2010, the amount of the 2015 Convertible Bonds classified as equity of $6,493,000 is net of attributable transaction costs of $1,213,000. Tax recognised directly in equity in respect of the convertible bonds amounted to $1,330,000.

In 2013, $90,000,000 in principal amount of 2015 Convertible Bonds was fully redeemed by the holders.

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL LIABILITIES (CONTINUED)

2016 Convertible Bonds

In 2013, the Company issued $45,000,000 in principal amount of 6.00% convertible bonds due in 2016 ("2016 Convertible Bonds") pursuant to the purchase agreements entered into with Oversea-Chinese Banking Corporation Limited and TAEL One Partners Ltd, acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P. on 28 February 2013.

The main terms of the agreement are as follows:

(a) The 2016 Convertible Bonds were issued at a price of 100% and are convertible into 54.217 million shares of the Company at an initial conversion price of $0.83 per share.

(b) The conversion right may be exercised at the option of the bondholder, at any time until the date falling seven days prior to the maturity date, on or about 21 March 2016, subject to customary closed periods.

(c) Unless previously redeemed, converted or purchased and cancelled, the 2016 Convertible Bonds will be redeemed by the Company at 115% of their principal amount together with unpaid accrued interest thereon on the maturity date.

(d) The 2016 Convertible Bonds bear interest at the rate of 6.00% per annum, payable semi-annual basis.

(e) The yield-to-maturity is 10.66% per annum, calculated on a semi-annual basis.

(f) The 2016 Convertible Bonds become repayable on demand if there is a change of control of the Company or if the Company's shares are de-listed or suspended from trading for a period equal to or exceeding 20 trading days.

In 2013, the amount of the 2016 Convertible Bonds classified as equity of $8,288,000 is net of attributable transaction costs of $864,000. Tax recognised directly in equity in respect of the 2016 Convertible Bonds amounted to $382,000.

NOTES TO THE FINANCIAL STATEMENTS

21 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 January 2013 $'000	Recognised in profit or loss (Note 7) $'000	Recognised in equity $'000	Exchange differences $'000	At 31 December 2013 $'000	Recognised in profit or loss (Note 7) $'000	Recognised in equity $'000	Exchange differences $'000	At 31 December 2014 $'000
Group									
Deferred tax assets									
Plant and equipment	–	–	–	–	–	2,554	–	47	**2,601**
	–	–	–	–	–	2,554	–	47	**2,601**
Deferred tax liabilities									
Plant and equipment	324	(115)	–	8	217	(102)	–	4	**119**
Convertible bonds	1,330	(1,119)	382	–	593	–	–	–	**593**
	1,654	(1,234)	382	8	810	(102)	–	4	**712**

Deferred tax liabilities of the Company are attributable to the following:

	Company	
	2014 $'000	2013 $'000
Deferred tax liabilities		
Convertible bonds	**593**	593

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deductible temporary differences	**79**	80	**79**	80
Tax losses	**27,316**	40,553	**7,298**	7,246
	27,395	40,633	**7,377**	7,326

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences do not expire under current tax legislations. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

At 31 December 2014, deferred tax liabilities of $12,915,000 (2013: $11,227,000) for temporary differences of $90,506,000 (2013: $71,113,000) relating to investments in subsidiaries and joint venture have not been recognised as the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

22 SHARE CAPITAL

	Company	
	2014 No. of shares ('000)	2013 No. of shares ('000)
Fully paid ordinary shares, with no par value:		
At 1 January	**512,932**	410,345
Rights issue	**–**	102,587
At 31 December	**512,932**	512,932

Rights issue

On 3 April 2013, the Company issued 102,587,000 new ordinary shares at an issue price of $0.41 per share. The newly issued shares rank pari passu in all respects with the previously issued shares.

Capital management

The Board of Directors manages capital to ensure entities in the Group will be able to continue as a going concern and all externally imposed capital requirements are complied with while enhancing the return to stakeholders through an optimal balance between debt and equity.

Capital consists of total shareholders' equity (including non-controlling interests), bank loans and convertible bonds (2013: total shareholders' equity, excluding non-controlling interests). The Group is required to maintain gearing below certain thresholds in order to comply with covenants in loan agreements with banks and financial institutions.

The Board of Directors review the capital structure on a regular basis. The management also ensures that the Group maintains certain security ratios of outstanding term loans over the value of the Group's rigs in order to comply with the loan covenants imposed by banks and financial institutions. Based on the review, the Group will balance its overall capital structure through the issue of new shares and new debts or the redemption of existing debts.

The Group monitors capital using a net debt to equity gearing ratio. As at 31 December 2014, this ratio is 0.75 (2013: 0.52). The Company and its subsidiaries complied with externally imposed capital requirements during the year.

NOTES TO THE FINANCIAL STATEMENTS

23 RESERVES

Equity reserve

The equity reserve relates to the fair value of warrants issued by the Company and the equity component of the convertible bonds based on the value of the embedded option to convert the liability component of the convertible bonds into equity of the Company as at the date of issue of the convertible bonds, which is net of deferred tax effect.

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group.

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company, as well as from the translation of foreign currency loans which form part of the Group's net investment in foreign operations.

Other reserve

Other reserve relates to the gain on dilution of the interests in subsidiaries without loss of control.

Dividends

No dividend has been declared or proposed by the Company in respect of the financial years ended 31 December 2014 and 2013.

24 EMPLOYEE COMPENSATION BENEFITS

Under the terms of the KS Energy Employee Share Option Scheme (the "Scheme") and KS Energy Performance Share Plan (the "Plan"), subject to the absolute discretion of the Committee, options/shares may be granted, to the Group's employees, executive directors and non-executive directors provided that certain criteria are met. Subject to the absolute discretion of the Committee, Controlling Shareholders and their Associates who meet certain criteria are eligible to participate in the Scheme/Plan, provided that the participation of each Controlling Shareholder or his Associate and each grant of an option/a share to any of them may only be effected with the specific prior approval of Shareholders in general meeting by a separate resolution.

The aggregate number of ordinary shares over which options/shares may be granted on any date under the Scheme/Plan, when added to the number of ordinary shares issued and/or issuable in respect of:

- all options granted under the Scheme;
- all contingent award of ordinary shares granted pursuant to the rules of the Plan; and

NOTES TO THE FINANCIAL STATEMENTS

24 EMPLOYEE COMPENSATION BENEFITS (CONTINUED)

- all ordinary shares in the capital of the Company, options or awards granted under any other share option or share scheme of the Company then in force;

shall not exceed 15% of the total number of issued ordinary shares, excluding treasury shares, in the capital of the Company on the day preceding the relevant date of grant.

Furthermore, the aggregate number of ordinary shares over which options/shares may be granted under the Scheme/Plan to Controlling Shareholders and their Associates shall not exceed 25% of the ordinary shares available under the Scheme/Plan, and the number of ordinary shares over which options/shares may be granted under the Scheme/Plan to each Controlling Shareholder or his Associate shall not exceed 10% of the ordinary shares available under the Scheme.

The Scheme/Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten years commencing on the date on which the Scheme/Plan is adopted by shareholders of the Company in general meeting, provided that the Scheme/Plan may continue beyond the aforesaid period of time with the approval of shareholders of the Company in general meeting and of any relevant authority which may then be required.

The subscription price of the options shall be fixed by the Committee at its absolute discretion at:

- the Market Price, determined by reference to the price equal to the average of the last dealt prices for a Share, as determined by reference to the daily official list or other publication published by the SGX for five consecutive market days immediately preceding the offer date of that option, rounded up to the nearest whole cent in the event of fractional prices; or

- at a discount to the Market Price, the quantum of such discount to be determined by the Committee at its absolute discretion, provided that the maximum discount shall not exceed 20% of the Market Price and is approved by shareholders of the Company in general meeting in a separate resolution.

Options granted with the Exercise Price set at the Market Price may be exercised at any time after the first anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

Options granted with the Exercise Price set at a discount to the Market Price may be exercised at any time after the second anniversary of the date of grant, provided that the option shall be exercised before the tenth anniversary of the date of grant or such earlier date as may be determined by the Committee, failing which the unexercised option shall immediately be null and void.

No options have been granted since the commencement of the Scheme and no shares have been issued since the commencement of the Plan. However, on 6 March 2015, as announced, the Company granted share awards pursuant to the Plan to eligible participants (including the Group's key management personnel). The closing market price of the Company's shares on 6 March 2015 was $0.375. No share awards are granted to the Company's Directors, controlling shareholders and their associates.

NOTES TO THE FINANCIAL STATEMENTS

25 RELATED PARTIES

Key management personnel compensation

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The amounts stated below for key management compensation are for all the executive directors and other key management personnel. The amounts do not include compensation of any of the key management personnel and directors of the Group who received compensation from related corporations outside the Group in their capacity as directors and/or executives of those related corporations.

Key management personnel compensation, included in staff costs, is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Short-term employee benefits	**5,677**	3,224
Post-employment benefits	**46**	41
	5,723	3,265

Comprise of amounts paid to:

	Group	
	2014	**2013**
	$'000	**$'000**
Directors of the Company	**1,387**	1,133
Other key management personnel	**4,336**	2,132
	5,723	3,265

Other transactions with key management personnel

	Group	
	2014	**2013**
	$'000	**$'000**
Transactions with companies in which directors of the Company have control or significant influence		
Sale of goods	**–**	1,248
Purchase of goods	**(211)**	(679)
Management fee income	**1,097**	–
Interest income	**2,759**	3,365
Rendering of services	**721**	–
Professional fees	**(166)**	(164)
Interest expense	**(37)**	(54)
Operating lease expense	**(13,036)**	(12,557)

All the above transactions with the related parties are priced on an arm's length basis.

There are no transactions with companies in which other key management personnel have control or significant influence.

NOTES TO THE FINANCIAL STATEMENTS

25 RELATED PARTIES (CONTINUED)

Other related party transactions

	Group	
	2014	**2013**
	$'000	**$'000**
Transactions with joint ventures		
Purchase of goods	**(15,507)**	(8,336)
Interest income	**2,759**	3,365
Management fee income	**1,361**	500
Rendering of services	**721**	1,031
Interest expense	**–**	(155)
Operating lease expense	**(13,026)**	(12,528)
Rental expense	**(346)**	(533)

26 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing those risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Auditors. The Internal Auditors undertake both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments by category

Set out below is a comparison by category of carrying amounts of all the Group's financial instruments that are carried in the financial statements:

	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
Group				
2014				
Assets				
Cash and cash equivalents	9	**78,210**	**–**	**78,210**
Trade receivables	11	**64,460**	**–**	**64,460**
Other assets	13	**52,090**	**–**	**52,090**
		194,760	**–**	**194,760**
Liabilities				
Trade and other payables	18	**–**	**49,279**	**49,279**
Financial liabilities	20	**–**	**413,754**	**413,754**
		–	**463,033**	**463,033**
2013				
Assets				
Cash and cash equivalents	9	43,166	–	43,166
Trade receivables	11	47,867	–	47,867
Other assets	13	67,366	–	67,366
		158,399	–	158,399
Liabilities				
Trade and other payables	18	–	50,392	50,392
Financial liabilities	20	–	242,912	242,912
		–	293,304	293,304

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments by category (Continued)

	Note	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
Company				
2014				
Assets				
Cash and cash equivalents	9	**3,778**	**–**	**3,778**
Amounts due from subsidiaries	10	**11,050**	**–**	**11,050**
Other assets	13	**196**	**–**	**196**
		15,024	**–**	**15,024**
Liabilities				
Trade and other payables	18	**–**	**6,567**	**6,567**
Amounts due to subsidiaries	19	**–**	**6,792**	**6,792**
Financial liabilities	20	**–**	**69,303**	**69,303**
		–	**82,662**	**82,662**
2013				
Assets				
Cash and cash equivalents	9	1,957	–	1,957
Amounts due from subsidiaries	10	10,245	–	10,245
Other assets	13	2,538	–	2,538
		14,740	–	14,740
Liabilities				
Trade and other payables	18	–	6,134	6,134
Amounts due to subsidiaries	19	–	4,725	4,725
Financial liabilities	20	–	65,550	65,550
		–	76,409	76,409

Credit risk

Credit risk is the risk of financial loss resulting from the failure of a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of financial assets in the statement of financial position represents the Group and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company does not hold any collateral in respect of its financial assets.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Guarantees

Credit risk relating to financial guarantee contracts represents the financial loss that would be recognised upon a default by the parties on whose behalf the financial guarantees were issued.

Trade and other receivables

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

At 31 December, the Group has concentration of credit risk in 3 (2013: 3) major trade debtors representing approximately 66% (2013: 53%) of total trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with banks and approved financial institutions. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The Group and Company's maximum exposure to credit risk at the reporting date were:

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Loans and receivables					
Cash and cash equivalents	9	**78,210**	43,166	**3,778**	1,957
Amounts due from subsidiaries	10	**–**	–	**11,050**	10,245
Trade receivables	11	**64,460**	47,867	**–**	–
Other assets (current)	13	**17,223**	30,979	**196**	2,538
Other assets (non-current)	13	**34,867**	36,387	**–**	–
		194,760	158,399	**15,024**	14,740

The Group's top three most significant customers account for $42,434,000 (2013: $25,406,000) of the trade receivables carrying amount at 31 December 2014. Except for this, there is no significant concentration of credit risk. The Group's customers are internationally dispersed. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for loans and receivables at the reporting date by business segments was:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Loans and receivables				
Drilling	**180,729**	141,761	**–**	–
Engineering	**5,202**	2,742	**–**	–
Others	**8,829**	13,896	**15,024**	14,740
	194,760	158,399	**15,024**	14,740

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Impairment losses

The ageing of loans and receivables (excluding cash and cash equivalents) as at 31 December is:

	2014		2013	
	Gross $'000	Impairment loss $'000	Gross $'000	Impairment loss $'000
Group				
Not past due	**89,728**	**–**	91,882	–
Past due 0 – 30 days	**10,397**	**–**	5,245	–
Past due 31 – 120 days	**11,066**	**(1,936)**	9,378	–
Past due more than 120 days	**14,068**	**(6,773)**	24,946	(16,218)
	125,259	**(8,709)**	131,451	(16,218)

	2014		2013	
	Gross $'000	Impairment loss $'000	Gross $'000	Impairment loss $'000
Company				
Not past due	**11,246**	**–**	12,783	–
Past due more than 120 days	**103**	**(103)**	115	(115)
	11,349	**(103)**	12,898	(115)

The change in impairment loss in respect of amounts due from subsidiaries, trade receivables and other current assets during the year is as follows:

	Group		Company	
	Individual impairments $'000	Collective impairments $'000	Individual impairments $'000	Collective impairments $'000
At 1 January 2013	(17,214)	(2,414)	(761)	–
Impairment loss recognised (Note 6)	(1,092)	–	(20)	–
Write back of allowance for impairment loss (Note 6)	1,524	2,414	324	–
Amounts written off	1,180	–	409	–
Translation differences	(616)	–	(67)	–
At 31 December 2013	(16,218)	–	(115)	–
Impairment loss recognised (Note 6)	(8,177)	–	(9)	–
Write back of allowance for impairment loss (Note 6)	1,251	–	–	–
Allowance utilised	15,090	–	–	–
Translation differences	(655)	–	21	–
At 31 December 2014	**(8,709)**	**–**	**(103)**	**–**

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Impairment losses (Continued)

Allowance for doubtful receivables

Management uses judgement to determine the allowance for doubtful receivables which are supported by historical write-off, credit history of the customers and repayment records. The Group reviews its allowance for doubtful receivables monthly. Balances which are overdue are reviewed individually for collectibility. Accounts balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

The Group and the Company believe that the unimpaired amounts are still collectible, based on historic payment behaviour and analysis of customer credit risk, including underlying customers' credit ratings, when available.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The management of liquidity and funding is primarily carried out centrally by the treasury department for project companies and locally by other Group entities. The Group requires its operating entities to maintain adequate liquidity positions and to manage its liquidity profiles of their assets, liabilities and commitments with the objective of ensuring that their cash flows are balanced appropriately and that all their anticipated obligations can be met when due. The Group adapts its liquidity and funding risk management framework in response to changes in the mix of business that it undertakes, and to changes in the nature of the markets in which it operates. The Group has continuously monitored the impact of recent market events on the Group's liquidity position and has changed behavioural assumptions where justified. The liquidity and funding risk management framework will continue to evolve as the Group assimilates knowledge from the recent market events.

Refer to Note 20 for the expected contractual undiscounted cash outflows of financial liabilities of the Group and the Company at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

The directors are of the opinion that the Group and the Company are able to meet their obligations for the next financial year as and when they fall due having regard to the following:

(i) The directors have carried out a review of the cash flow forecasts of the Group and the Company for the next 12 months ending 31 December 2015 prepared by management. Based on such forecasts, the directors have concluded that adequate liquidity exists to finance the requirements of the Group and the Company for the next financial year. In reviewing the cash flow forecasts, the directors have considered the cash requirements of the Group and the Company as well as other key factors, including the ability of the Group to generate sufficient cash flow to satisfy the Group and the Company's future working capital needs, which may impact the operations of the Group and the Company during the next financial year. The directors are of the opinion that the assumptions which are included in the cash flow forecasts are reasonable; and

(ii) The Group and Company have adequate financial arrangements and continually monitor funding facilities to ensure adequate funds are available to meet the funding needs of the Group and the Company.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to its interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, was as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Financial assets	**35,119**	36,430	**655**	418
Financial liabilities	**(70,200)**	(70,212)	**(73,427)**	(70,195)
	(35,081)	(33,782)	**(72,772)**	(69,777)
Variable rate instruments				
Financial assets	**77,958**	43,123	**3,738**	1,914
Financial liabilities	**(347,750)**	(180,506)	**(3,304)**	(3,161)
	(269,792)	(137,383)	**434**	(1,247)

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the financial year would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014 and 2013

	Group		Company	
	Profit before tax		Profit before tax	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp Decrease $'000
31 December 2014				
Variable rate instruments	**(2,698)**	**2,698**	**4**	**(4)**
31 December 2013				
Variable rate instruments	(1,374)	1,374	(12)	12

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the United States dollar and Euro.

In respect of other monetary assets and liabilities held in currencies other than the functional currencies of respective entities, the Group ensures that the net exposure is kept to an acceptable level by buying currencies at spot rates, where necessary, to address short term imbalances.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

The summary of quantitative data about the Group and Company's exposure to currency risks as provided to the management of the Group based on its risk management policy is as follows:

	Singapore dollar $'000	US dollar $'000	Euro $'000	Others $'000	Total $'000
Group					
2014					
Cash and cash equivalents	**1,510**	**71,799**	**2,221**	**2,680**	**78,210**
Trade and other receivables	**1,097**	**108,980**	**2,467**	**6,370**	**118,914**
Inter-company balances	**(47)**	**(105,844)**	**(116)**	**106**	**(105,901)**
Trade and other payables	**(13,434)**	**(27,316)**	**(197)**	**(8,332)**	**(49,279)**
Financial liabilities	**(66,438)**	**(333,653)**	**(13,658)**	**(5)**	**(413,754)**
Net financial assets/(liabilities)	**(77,312)**	**(286,034)**	**(9,283)**	**819**	**(371,810)**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currency	**70,545**	**288,394**	**–**	**445**	**359,384**
	(6,767)	**2,360**	**(9,283)**	**1,264**	**(12,426)**
2013					
Cash and cash equivalents	1,586	32,352	4,900	4,328	43,166
Trade and other receivables	4,540	91,472	3,291	18,546	117,849
Inter-company balances	(1,216)	(99,962)	(108)	(88)	(101,374)
Trade and other payables	(6,171)	(37,281)	(580)	(6,626)	(50,658)
Financial liabilities	(62,867)	(157,894)	(22,133)	(18)	(242,912)
Net financial assets/(liabilities)	(64,128)	(171,313)	(14,630)	16,142	(233,929)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currency	62,647	173,862	–	427	236,936
	(1,481)	2,549	(14,630)	16,569	3,007

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (Continued)

	Singapore dollar $'000	US dollar $'000	Euro $'000	Others $'000	Total $'000
Company					
2014					
Cash and cash equivalents	**839**	**2,884**	**44**	**11**	**3,778**
Trade and other receivables	**180**	**318**	**–**	**–**	**498**
Inter-company balances	**104**	**4,154**	**–**	**–**	**4,258**
Quasi equity loans to subsidiaries and joint ventures	**–**	**27,115**	**–**	**–**	**27,115**
Trade and other payables	**(2,911)**	**(3,656)**	**–**	**–**	**(6,567)**
Financial liabilities	**(65,999)**	**(3,304)**	**–**	**–**	**(69,303)**
Net financial assets/(liabilities)	**(67,787)**	**27,511**	**44**	**11**	**(40,221)**
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	**67,787**	**–**	**–**	**–**	**67,787**
	–	**27,511**	**44**	**11**	**27,566**
2013					
Cash and cash equivalents	666	1,232	48	11	1,957
Trade and other receivables	2,571	268	–	–	2,839
Inter-company balances	(1,349)	6,869	–	–	5,520
Quasi equity loans to subsidiaries and joint ventures	–	22,941	–	–	22,941
Trade and other payables	(1,747)	(4,387)	–	–	(6,134)
Financial liabilities	(62,389)	(3,161)	–	–	(65,550)
Net financial assets/(liabilities)	(62,248)	23,762	48	11	(38,427)
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	62,248	–	–	–	62,248
	–	23,762	48	11	23,821

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the foreign currencies at 31 December would have increased/(decreased) the profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis (Continued)

The analysis is performed on the same basis for 2013, as indicated below:

	Group		Company	
	Profit before tax		Profit before tax	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	**(677)**	(148)	**–**	–
US dollar	**(236)**	(255)	**(2,751)**	(2,376)
Euro	**928**	1,463	**(4)**	(5)
Others	**(126)**	(1,657)	**(1)**	(1)

A weakening of Singapore dollar against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Insurance risk

The Company issues financial guarantees on behalf of its subsidiaries and joint ventures. There are no terms and conditions attached to the financial guarantee contracts that would have a material effect on the amount, timing and certainty of the Company's future cash flows. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with certainty. The assumptions made may vary from actual experience so that the actual liability may vary considerably from the best estimates.

See Note 29 for information on the periods in which the financial guarantees will expire and the contractual undiscounted cash flow in respect of the financial guarantees.

Equity price risk

The Group is not significantly exposed to equity price risk.

Determination of fair values

Fair values

The carrying amounts of the Group and the Company's financial instruments carried at cost or amortised costs are not materially different from their fair values as at 31 December 2014 and 2013.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Determination of fair values (Continued)

Convertible bonds

The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible bonds, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Interest-bearing bank loans

The carrying value of interest-bearing loans that reprice within six months of the reporting date is assumed to approximate their fair values. The carrying value of the term loans also approximate fair value as it is subject to floating interest rates which in turn approximate the current market interest rate for similar loan at reporting date. For finance leases, the market rate of interests is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine the fair values.

27 ACQUISITION OF NON-CONTROLLING INTERESTS

In February 2014, the Group acquired an additional 30% interest in PT Petro Papua Energi ("PT PPE") for a consideration of US$1, increasing its ownership from 60% to 90%. As a result, the Group's non-controlling interests decreased by S$2,606,000.

28 COMMITMENTS

Capital commitments

As at 31 December, the capital commitments of the Group to acquire plant and equipment are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Rig No. 1	**–**	213,827
Rig No. 2	**216,842**	213,827
Rig No. 3	**–**	177,884
Rig No. 4	**243,481**	–
	460,323	605,538

On 23 June 2014, the Company announced that KS Rig Invest Five Ltd entered into an agreement for the supply and construction of a jack-up drilling rig ("Rig No. 4"). The jack-up rig is expected to be delivered in 2016.

NOTES TO THE FINANCIAL STATEMENTS

28 COMMITMENTS (CONTINUED)

Capital commitments (Continued)

In 2013, the Company announced that KS Drilling Pte Ltd ("KS Drilling") entered into an agreement for the supply and construction of a jack-up drilling rig ("Rig No. 3"). The construction contract was subsequently novated to KS Rig Invest Three Ltd in 2014. The jack-up rig was delivered in 2014.

In 2011, the Company announced that its subsidiary, KS Drilling, entered into two contracts for the construction and delivery of two jack-up drilling rigs. The construction contracts for the two rigs ("Rig No.1" and "Rig No.2") were subsequently novated to KS Rig Invest Three Ltd and KS Rig Invest Six Ltd in 2014 respectively. The first jack-up drilling rig ("Rig No.1") was sold in 2014 and the second jack-up drilling rig ("Rig No.2") is expected to be delivered in 2015.

Operating lease commitments

Where the Group and Company are the lessees:

The Group and Company leases office premises and the Group leases an offshore rig from its joint ventures. The leases are negotiated for an average term of 1 to 3 years at prevailing market terms.

At the reporting dates, the Group and Company have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	**14,606**	13,378	**215**	288
After 1 year but within 5 years	**975**	14,415	**355**	43
	15,581	27,793	**570**	331

Where the Group is a lessor:

The Group leases out its rigs. The leases are negotiated for an average term of 1 to 3 years at prevailing market terms. At the reporting dates, the minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Within 1 year	**74,704**	104,508
After 1 year but within 5 years	**3,244**	96,400
	77,948	200,908

NOTES TO THE FINANCIAL STATEMENTS

29 CONTINGENT LIABILITIES (UNSECURED)

Company

Financial guarantees given to banks to secure banking facilities provided to:

	2014 $'000	2013 $'000
Subsidiaries	**181,273**	228,133

As at 31 December 2014, $138,721,000 (2013: $143,714,000) of the banking facilities was utilised. The Company does not consider it probable that a claim will be made against the Company under the guarantee.

The periods in which the financial guarantees will expire are as follows:

	2014 $'000	2013 $'000
Within 1 year	**76,996**	6,779
After 1 year but within 5 years	**104,277**	221,354
	181,273	228,133

30 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- **Drilling**: Includes provision of drilling and rig management services to the oil and gas industry.
- **Engineering**: Includes engineering design and project management services, as well as other oil and gas related services.
- **Distribution**: Includes the sale and distribution of steel pipes and plates, hydraulic products and valves, wire ropes and slings, oilfield equipment and consumables, to the oil & gas, offshore & marine, petrochemical and other related industries. The results from this reportable segment will be accounted for using the equity method.

30 OPERATING SEGMENTS (CONTINUED)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

Business segments	Drilling		Engineering		Distribution*		Others		Inter-segment Adjustments		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
2014												
External revenues	**208,280**	142,812	**7,698**	8,568	**–**	–	**11,352**	10,390	**–**	–	**227,330**	161,770
Inter-segment revenues	**1,221**	1,223	**–**	–	**–**	–	**–**	–	**(1,221)**	(1,223)	**–**	–
Total revenue	**209,501**	144,035	**7,698**	8,568	**–**	–	**11,352**	10,390	**(1,221)**	(1,223)	**227,330**	161,770
Finance income	**2,704**	3,377	**1**	32	**–**	–	**85**	3	**(83)**	(28)	**2,707**	3,384
Finance costs	**(11,645)**	(6,471)	**(21)**	(25)	**–**	–	**(7,577)**	(7,739)	**83**	28	**(19,160)**	(14,207)
Reportable segment profit/(loss) before income tax	**59,177**	4,037	**(905)**	(1,941)	**–**	–	**(20,369)**	(15,967)	**–**	–	**37,903**	(13,871)
Share of results of associates and joint ventures	**9,157**	9,931	**–**	–	**1,882**	2,796	**(12)**	5,801	**–**	–	**11,027**	18,528
Consolidated profit before tax	**68,334**	13,968	**(905)**	(1,941)	**1,882**	2,796	**(20,381)**	(10,166)	**–**	–	**48,930**	4,657
Income tax	**(2,004)**	(5,127)	**74**	(95)	**–**	–	**(589)**	1,077	**–**	–	**(2,519)**	(4,145)
Other material non-cash items:												
Depreciation of plant and equipment	**45,059**	29,667	**65**	63	**–**	–	**10,968**	8,172	**–**	–	**56,092**	37,902
Amortisation of intangible assets	**529**	476	**39**	18	**–**	–	**–**	–	**–**	–	**568**	494
(Write back)/allowance for impairment loss on receivables	**4,724**	(2,359)	**–**	(29)	**–**	–	**2,202**	(458)	**–**	–	**6,926**	(2,846)
Impairment loss on rigs	**8,224**	–	**–**	–	**–**	–	**3,964**	–	**–**	–	**12,188**	–

* The results from Distribution segment are accounted for using equity method since it is a joint venture. Refer to Note 14 for the financial information of the joint venture, KS Distribution Pte Ltd.

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

Business segments	Drilling		Engineering		Distribution*		Others		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Assets and liabilities										
Reportable segment assets	**726,766**	495,539	**6,059**	4,777	**–**	–	**42,045**	61,084	**774,870**	561,400
Investment in associates and joint ventures	**18,290**	3,464	**–**	–	**122,564**	120,681	**3,685**	4,780	**144,539**	128,925
Deferred tax assets	**2,601**	–	**–**	–	**–**	–	**–**	–	**2,601**	–
Total assets	**747,657**	499,003	**6,059**	4,777	**122,564**	120,681	**45,730**	65,864	**922,010**	690,325
Reportable segment liabilities	**367,650**	196,724	**5,219**	2,469	**–**	–	**90,164**	94,377	**463,033**	293,570
Provision for tax	**6,949**	5,115	**(13)**	(13)	**–**	–	**6,273**	5,627	**13,209**	10,729
Deferred tax liabilities	**107**	205	**12**	11	**–**	–	**593**	594	**712**	810
Total liabilities	**374,706**	202,044	**5,218**	2,467	**–**	–	**97,030**	100,598	**476,954**	305,109
Other segment information										
Capital expenditure	**288,700**	97,504	**17**	110	**–**	–	**7**	13	**288,724**	97,627

* The results from Distribution segment are accounted for using equity method since it is a joint venture. Refer to Note 14 for the financial information of the joint venture, KS Distribution Pte Ltd.

Geographical segments

	Revenue		Other non-current assets		Capital expenditure	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Singapore	**2,086**	73	**127,656**	127,093	**73**	230
The People's Republic of China	**–**	–	**65,582**	70,305	**89,035**	44,705
Holland	**11,351**	10,390	**32,893**	45,971	**–**	–
Kurdistan	**26,905**	33,385	**46,155**	57,297	**1,209**	10,428
Egypt	**47,752**	40,552	**88,626**	97,471	**799**	765
Vietnam	**47,339**	–	**230,537**	37	**197,145**	–
Indonesia	**76,773**	56,239	**140,904**	135,023	**–**	41,434
Other countries	**15,124**	21,131	**26,588**	32,273	**463**	65
	227,330	161,770	**758,941**	565,470	**288,724**	97,627

NOTES TO THE FINANCIAL STATEMENTS

30 OPERATING SEGMENTS (CONTINUED)

Major customers

During the financial year, the Group has 5 (2013: 5) customers in drilling segment that individually contributed 5% or more of the Group's revenue. Revenue from these customer accounts amounted to $174,710,000 (2013: $117,557,000).

31 SUBSEQUENT EVENTS

(a) Grant of share awards pursuant to the KS Energy performance share plan

On 6 March 2015, pursuant to Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company has granted share awards pursuant to the KS Energy Performance Share Plan (the "Plan"). Total number of shares awarded is 2,699,000 ordinary shares, at market price of S$0.375 (closing price as at 6 March 2015). The release of shares awards is subject to the achievement of certain pre-determined conditions as determined by the Remuneration Committee or otherwise in accordance with the rules of the Plan.

(b) Repayment of convertible bond

Subsequent to 31 December 2014, the Company fully redeemed the $17 million face value of 2015 Bonds maturing on 26 March 2015.

STATISTICS OF SHAREHOLDERS

AS AT 20 MARCH 2015

SHAREHOLDERS' INFORMATION AS AT 20 MARCH 2015

Class of shares	:	Ordinary shares
Issued and fully paid-up capital	:	S$361,629,700.55
Number of Shares issued	:	512,932,215 (excluding Treasury Shares)
Number of Treasury Shares (Percentage)	:	11,308,000 (2.15%)
Voting rights (excluding Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 MARCH 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDING
1 – 99	151	2.20	5,216	0.00
100 – 1,000	2,088	30.35	1,346,477	0.26
1,001 – 10,000	3,284	47.75	13,972,942	2.73
10,001 – 1,000,000	1,338	19.45	51,799,562	10.10
1,000,001 and above	17	0.25	445,808,018	86.91
TOTAL	**6,878**	**100.00**	**512,932,215**	**100.00**

Note: The percentage is calculated based on 512,932,215 Shares (excluding 11,308,000 shares held as Treasury Shares) as at 20 March 2015.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%[1]	Deemed Interest	%[1]
Pacific One Energy Limited	300,213,162[2]	58.53	–	–
Dubai Transport Company LLC	50,751,948	9.89		
Rija Holdings Limited	–	–	300,213,162[3]	58.53
Kris Taenar Wiluan	–	–	300,213,162[3]	58.53
Richard James Wiluan	–	–	300,213,162[3]	58.53
Abdulla Mohammed Saleh	–	–	50,751,948[4]	9.89
Ahmad Abdulrahim Baker	–	–	50,751,948[4]	9.89
AMSAF Investment LLC	–	–	50,751,948[4]	9.89
UBS Trustees (Bahamas) Ltd.	–	–	26,460,000[5]	5.15

Notes:

(1) The percentage of shareholding is calculated based on 512,932,215 issued shares (excluding 11,308,000 Treasury Shares) as at 20 March 2015.

(2) The 224,248,690 ordinary shares, representing approximately 43.72% of the shares held by Pacific One Energy Limited ("Pac One") of the issued share capital of the Company are registered in the name of Overseas Chinese Bank Nominees Private Limited.

(2) Rija Holdings Limited ("Rija"), which is the holding company of Pacific One, is controlled by Mr Kris Taenar Wiluan and Mr Richard James Wiluan. By virtue of Section 4 of the Securities and Futures Act, Rija, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are deemed interested in the 300,213,162 shares held by Pac One.

(4) Dubai Transport Company LLC ("DTC") is controlled by Mr Abdulla Mohammed Saleh, AMSAF Investment LLC ("AMSAF") and Mr Ahmad Abdulrahim Baker. By virtue of Section 4 of the Securities and Futures Act, Mr Abdulla Mohammed Saleh, AMSAF and Mr Ahmad Abdulrahim Baker are deemed interested in the 50,751,948 shares held by DTC.

(5) UBS Trustees (Bahamas) Ltd. ("UBSTBL") is the trustee of two unrelated personal trusts. Under each trust, UBSTBL holds 100% of the shares of an international business corporation (incorporated in Bahamas and British Virgin Islands respectively) which in turn holds shares in the Company through a bank account maintained with UBS AG Singapore.

STATISTICS OF SHAREHOLDERS

AS AT 20 MARCH 2015

LIST OF TWENTY (20) LARGEST SHAREHOLDERS AS AT 20 MARCH 2015

(As Recorded in the Depository Register as at 20 March 2015)

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	OVERSEA CHINESE BANK NOMINEES PTE LTD	224,248,690	43.72
2	PACIFIC ONE ENERGY LIMITED	75,964,472	14.81
3	DUBAI TRANSPORT COMPANY LLC	50,751,948	9.89
4	CITIBANK NOMINEES SINGAPORE PTE LTD	49,558,747	9.66
5	RAFFLES NOMINEES (PTE) LTD	17,085,125	3.33
6	DBS NOMINEES PTE LTD	6,852,066	1.34
7	PHILLIP SECURITIES PTE LTD	3,371,680	0.66
8	SUNFIELD PTE LTD	3,125,000	0.61
9	LIM GEOK SENG	2,416,000	0.47
10	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	2,358,322	0.46
11	UOB KAY HIAN PTE LTD	2,001,137	0.39
12	CIMB SECURITIES (SINGAPORE) PTE LTD	1,983,004	0.39
13	SAMUEL PAUL OLIVER CAREW-JONES	1,460,000	0.28
14	HSBC (SINGAPORE) NOMINEES PTE LTD	1,426,233	0.28
15	OCBC NOMINEES SINGAPORE PTE LTD	1,102,331	0.21
16	OCBC SECURITIES PRIVATE LTD	1,059,263	0.21
17	TAN MEI MUI	1,044,000	0.20
18	TAN CHAI PENG	870,000	0.17
19	MAYBANK KIM ENG SECURITIES PTE LTD	860,500	0.17
20	DBS VICKERS SECURITIES (S) PTE LTD	735,375	0.14
	TOTAL:	**448,273,893**	**87.39**

Note: The percentage is calculated based on 512,932,215 Shares (excluding 11,308,000 shares held as Treasury Shares) as at 20 March 2015.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 20 March 2015, approximately 24.50% of the ordinary shares of the Company are held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KS Energy Limited (the "**Company**") will be held at 19 Jurong Port Road, Singapore 619093 on Wednesday, 29 April 2015, at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Articles 91 and 97 of the Company's Articles of Association:

Mr Billy Lee Beng Cheng	*(Retiring under Article 91)*	**(Resolution 2)**
Mr Wong Meng Yeng	*(Retiring under Article 91)*	**(Resolution 3)**
Mr Chew Choon Soo	*(Retiring under Article 97)*	**(Resolution 4)**
Mr Richard James Wiluan [See Explanatory Note (i)]	*(Retiring under Article 97)*	**(Resolution 5)**

3. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50:

   "That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Lim Ho Seng be re-appointed as a Director of the Company to hold office until the next Annual General Meeting."
   [See Explanatory Note (ii)] **(Resolution 6)**

4. To approve the payment of Directors' fees of S$326,000 for the year ended 31 December 2014 (FY2013: S$294,500). **(Resolution 7)**

5. To re-appoint KPMG LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

6. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. Share Issue Mandate

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be given to the Directors of the Company to issue shares ("**Shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

(a) The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

NOTICE OF ANNUAL GENERAL MEETING

(b) For the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of convertible securities;

(ii) new shares arising from exercising share options or vesting of Share awards outstanding or subsisting at the time this Resolution is passed; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(c) And that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
[See Explanatory Note (iii)] **(Resolution 9)**

8. Authority to Allot and Issue Shares under the KS Energy Employee Share Option Scheme and KS Energy Performance Share Plan

That pursuant to Section 161 of the Companies' Act, Cap. 50, authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares in the Company as may be required to be issued pursuant to the exercise of options under the KS Energy Employee Share Option Scheme ("**KSE ESOS**") and/or such number of fully paid shares in the Company as may be required to be issued pursuant to the vesting of awards under the KS Energy Performance Share Plan ("**KSE PSP**") provided that the aggregate number of shares to be issued pursuant to the options granted under the KSE ESOS and the vesting of awards granted or to be granted under the KSE PSP shall not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
[See Explanatory Note (iv)] **(Resolution 10)**

9. Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT Dwi Sumber Arca Waja Group

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of interested person transactions ("**IPT**") set out in the appendix to the Notice of Annual General Meeting dated 7 April 2015 (the "**Appendix**") with any party who is of the class or classes of interested persons described in the Appendix, provided that such transactions are carried out in accordance with the review procedures of the Company for IPT set out in the Appendix (the "**DSAW IPT Mandate**");

NOTICE OF ANNUAL GENERAL MEETING

(b) the DSAW IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier;

(c) the Audit & Risk Management Committee ("**ARMC**") of the Company and/or any member of the ARMC be and is hereby authorised to take such action as it and/or he deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the Directors and/or any of them to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, desirable, expedient or in the interest of the Company to give effect to the DSAW IPT Mandate as they and/or he may think fit.

[See Explanatory Note (v)] **(Resolution 11)**

10. Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT KS Drilling Indonesia and/or its Subsidiaries

That for the purposes of Chapter 9 of the Listing Manual of the SGX-ST:

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of IPT set out in the Appendix with any party who is of the class or classes of interested persons described in the Appendix, provided that such transactions are carried out in accordance with the review procedures of the Company for IPT set out in the Appendix (the "**JVC IPT Mandate**");

(b) the JVC IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier;

(c) the ARMC of the Company and/or any member of the ARMC be and is hereby authorised to take such action as it and/or he deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the Directors and/or any of them to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, desirable, expedient or in the interest of the Company to give effect to the JVC IPT Mandate as they and/or he may think fit.

[See Explanatory Note (vi)] **(Resolution 12)**

NOTICE OF ANNUAL GENERAL MEETING

11. Share Buy Back Mandate

That for the purposes of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST:

(a) the Directors of the Company be hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire issued shares each fully paid up not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, Cap. 50 and Listing Manual of the SGX-ST.

(b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period (the "**Relevant Period**") commencing from the date of this Resolution and expiring on the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company or the date by which such Annual General Meeting is required by law or the Articles to be held;

(ii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting; or

(iii) the date on which the Share Buy Back is carried out to the full extent mandated.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10 per cent (10%) of the issued ordinary shares of the Company as at the date of the passing of this Resolution (excluding treasury shares held by the Company as at the date of the passing of this Resolution) unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, Cap. 50, at any time during the Relevant Period or within any one financial year of the Company, whichever is the earlier, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered; and

NOTICE OF ANNUAL GENERAL MEETING

"**Maximum Price**" means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buy Back determined by the Directors, but in any event, not exceeding the maximum price, which:

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent (120%) of the Average Closing Price (as hereinafter defined),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.
[See Explanatory Note (vii)] **(Resolution 13)**

By Order of the Board

Yeo Poh Noi Caroline
Secretary
Singapore, 7 April 2015

Explanatory Notes on Resolutions to be passed:

(i) Mr Billy Lee Beng Cheng, who is due to retire by rotation pursuant to Article 91 of the Company's Articles of Association will, upon re-election as a Director of the Company, remain Chairman of the Remuneration Committee ("**RC**"), and a member of the ARMC and Nominating Committee ("**NC**").

Mr Wong Meng Yeng, who is due to retire by rotation pursuant to Article 91 of the Company's Articles of Association will, upon re-election as a Director of the Company, remain Chairman of the NC, and a member of the ARMC and RC.

NOTICE OF ANNUAL GENERAL MEETING

Mr Chew Choon Soo, who was appointed to the Board after the last Annual General Meeting and due to retire pursuant to Article 97 of the Company's Articles of Association will, upon re-election, remain a member of the RC.

Mr Richard James Wiluan, who was appointed to the Board after the last Annual General Meeting and due to retire pursuant to Article 97 of the Company's Articles of Association will, upon re-election, remain an Executive Director.

Mr. Billy Lee Beng Cheng, Mr Wong Meng Yeng and Mr Chew Choon Soo will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Mr Lim Ho Seng, who is over 70 years of age and retiring pursuant to Section 153(6) of the Companies Act, Cap. 50., has consented to stand for re-appointment. Mr Lim will, upon re-appointment as a Director of the Company, remain Lead Independent Director, Chairman of the ARMC and a member of the NC and RC and will be considered independent for the purposes of Rule 704(8) of Listing Manual of the SGX-ST.

(iii) The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis. For the purpose of determining the total number of Shares (excluding treasury shares) that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, and any subsequent consolidation or subdivision of shares.

(iv) The Ordinary Resolution 10 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue shares in the Company pursuant to the exercise of options outstanding under the KSE ESOS and/or vesting of awards granted pursuant to the KSE PSP, provided that the aggregate number of shares issued pursuant to the KSE ESOS and the KSE PSP does not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(v) The Ordinary Resolution 11 proposed in item 9 above, if passed, will authorise the IPT pursuant to the DSAW IPT Mandate as described in the Appendix and recurring in the year and will empower the Directors and/or any of them to do all acts necessary to give effect to the DSAW IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

(vi) The Ordinary Resolution 12 proposed in item 10 above, if passed, will authorise the IPT pursuant to the JVC IPT Mandate as described in the Appendix and recurring in the year and will empower the Directors and/or any of them to do all acts necessary to give effect to the JVC IPT Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

(vii) The Ordinary Resolution 13 proposed in item 11 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten percent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price.

The rationale for, the authority and limitation on, the sources of funds to be used and the illustrative financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy Back Mandate based on the audited consolidated financial statements for financial year ended 31 December 2014 and certain assumptions are set out in greater detail in the Appendix enclosed together with the Annual Report.

Notes -

1. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy 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 appointed for holding the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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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KS ENERGY LIMITED

(Incorporated In the Republic of Singapore)

(Co. Reg. No: 198300104G)

IMPORTANT:

CPF Investors

1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

Personal Data Privacy

4. 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 Company's Notice of Annual General Meeting.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, _____

of _____

being a member/members of KS ENERGY LIMITED (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 29 April 2015 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Re-election of Mr Billy Lee Beng Cheng as a Director		
3	Re-election of Mr Wong Meng Yeng as a Director		
4	Re-election of Mr Chew Choon Soo as a Director		
5	Re-election of Mr Richard James Wiluan as a Director		
6	Re-appointment of Mr Lim Ho Seng as a Director		
7	Approval of Directors' fees amounting to S$326,000		
8	Re-appointment of KPMG LLP as Auditors		
9	Share Issue Mandate		
10	Authority to allot and issue shares under the KS Energy Employee Share Option Scheme and KS Energy Performance Share Plan		
11	Proposed Renewal of Shareholders' Mandate for Interested Person Transactions with PT Dwi Sumber Arca Waja Group		
12	Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT KS Drilling Indonesia and/or its subsidiaries		
13	Share Buy Back Mandate		

* Delete where inapplicable

Dated this _____ day of _____ 2015

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

_____

Signature of Shareholder(s)/

and, Common Seal of Corporate Shareholder

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 130A of the Companies Act, Chapter 50 of Singapore), 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 entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two 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. The 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 48 hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his 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.

6. 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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 name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

AFFIX
STAMP

The Company Secretary
KS ENERGY LIMITED
19 Jurong Port Road
Singapore 619093

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TOPPAN
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(65) 6578 6522



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

19 JURONG PORT ROAD SINGAPORE 619093
TEL: +65 6577 4600 • FAX: +65 6577 4618
EMAIL: mail@ksenergy.com.sg • www.ksenergy.com.sg

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

This Appendix is circulated to the Shareholders of KS Energy Limited (the "**Company**") together with the Company's Annual Report 2014 (as defined herein). Its purpose is to explain to the Shareholders the rationale and to provide information pertaining to (a) the proposed renewal of the DSAW IPT Mandate (as defined herein); (b) the proposed renewal of the JVC IPT Mandate (as defined herein); and (c) the proposed renewal of the Share Buy Back Mandate (as defined herein) and to seek Shareholders' approval of the same at the Annual General Meeting to be held on **29 April 2015** at **10.00 a.m.** at **19 Jurong Port Road, Singapore 619093**.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2014.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward the Annual Report 2014 (including the Notice of Annual General Meeting and the Proxy Form) and this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

For investors who have used their Central Provident Fund ("**CPF**") monies to buy shares in the capital of the Company, this Appendix is forwarded to them at the request of their CPF approved nominees and is sent solely for information only.

This document has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document including the accuracy of any of the statements or opinions made, or reports contained in this document.



KS ENERGY LIMITED

An Integrated Energy Services Hub

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

APPENDIX

TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 7 APRIL 2015

IN RELATION TO

(A) THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT DWI SUMBER ARCA WAJA GROUP;

(B) THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT KS DRILLING INDONESIA AND/OR ITS SUBSIDIARIES; AND

(C) THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

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DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

"***ACRA***"	:	Accounting and Corporate Regulatory Authority of Singapore
"***AGM***"	:	Annual General Meeting of the Company. Unless the context otherwise requires, "***AGM***" shall refer to the annual general meeting to be held on 29 April 2015
"***Annual Report 2014***"	:	The Company's annual report for the financial year ended 31 December 2014
"***Appendix***"	:	This appendix to the Notice (including the annexure to the appendix)
"***Articles of Association***"	:	The articles of association of the company, as amended, supplemented or modified from time to time
"***Associate***"	:	(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% 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% or more
"***Associated Company***"	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
"***ARMC***"	:	The Audit and Risk Management Committee of the Company comprising Mr Lim Ho Seng, Mr Billy Lee Beng Cheng and Mr Wong Meng Yeng
"***Board***"	:	The board of Directors of the Company as at the date of this Appendix

"***BPMigas***"	:	Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi
"***CAIN***"	:	PT Citra Agramasinti Nusantara
"***CDP***"	:	The Central Depository (Pte) Limited
"***CEO***"	:	Chief Executive Officer
"***Company***"	:	KS Energy Limited
"***Companies Act***"	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
"***Controlling Shareholder***"	:	A person who:– (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over a company
"***Conversion Service***"	:	The service of converting rolling plates, plain steel pipes and hot rolled coils into large diameter steel pipes, structural tubular, threading services and other similar or ancillary services
"***Directors***"	:	The directors of the Company as at the date of this Appendix
"***DSAW***"	:	PT DWI Sumber Arca Waja
"***DSAW Group***"	:	DSAW, its subsidiaries (including PT Citra Tubindo Engineering) and its associates (as defined in the Listing Manual)
"***DSAW Interested Persons***"	:	DSAW and their respective associates (as defined in the Listing Manual), and "***DSAW Interested Person***" means any one of them
"***DSAW IPT Mandate***"	:	The general mandate granted by Independent Shareholders at the EGM held on 26 April 2012 for the Company, its subsidiaries and associated companies or any of them, to enter into IPTs with the DSAW Group, and renewed at the AGMs held on 30 April 2013 and 29 April 2014
"***EPS***"	:	Earnings per Share

"***Equipment***"	:	Has the meaning ascribed to it in paragraph 2.1(b) of Annexure A to this Appendix
"***Independent Directors***"	:	The Directors who are independent for the purposes of the proposed renewals of the IPT Mandates, being Mr Lim Ho Seng, Mr Billy Lee Beng Cheng, Mr Wong Meng Yeng, Mr Lawrence Stephen Basapa and Mr Chew Choon Soo
"***FY***" or "***Financial Year***"	:	Financial year ended or ending 31 December, as the case may be
"***Independent Shareholders***"	:	The Shareholders who are deemed to be independent of the Interested Person Transactions contemplated under the relevant IPT Mandate
"***Interested Persons***"	:	A Director, CEO or Controlling Shareholder of the Company or an Associate of any of them
"***Interested Person Transactions***" or "***IPTs***"	:	Transactions between (i) Interested Persons and (ii) the Company, its subsidiaries (which are not listed on the SGX-ST or an approved exchange) or any Associated Companies (which are not listed on the SGX-ST or an approved exchange), provided the Group or the Group and its Interested Persons have control over the Associated Company
"***Internal Auditors***"	:	The internal auditors of the Company
"***IPT Mandates***"	:	The DSAW IPT Mandate and the JVC IPT Mandate, collectively; and "***IPT Mandate***" means any one of them
"***JVC***"	:	PT KS Drilling Indonesia
"***JVC Group***"	:	The JVC, its subsidiaries and associated companies
"***JVC Interested Persons***"	:	CAIN and its associates (as defined in the Listing Manual), the JVC Group and its associates; and "***JVC Interested Person***" means any one of them
"***JVC IPT Mandate***"	:	The general mandate granted by Independent Shareholders at the EGM held on 7 December 2012 for the Company, its subsidiaries and associated companies or any of them, to enter into IPTs with the JVC Group, and renewed at the AGMs held on 30 April 2013 and 29 April 2014
"***KS Drilling***"	:	KS Drilling Pte Ltd, a subsidiary of the Company
"***KS Group***"	:	The Company, its subsidiaries and its Associated Companies

"***Latest Practicable Date***"	:	20 March 2015, being the latest practicable date prior to the printing of this Appendix
"***Listing Manual***" or "***Listing Rules***"	:	The rules of the listing manual of the SGX-ST applicable to an entity listed on the SGX-Mainboard, as amended, modified or supplemented from time to time
"***Management Services***"	:	Has the meaning ascribed to it in paragraph 2.2(b) of Annexure A to this Appendix
"***Market Day***"	:	A day on which the SGX-ST is open for trading of securities
"***Memorandum***"	:	The memorandum of association of the company, as amended, supplemented or modified from time to time
"***Notice***"	:	The Notice of Annual General Meeting dated 7 April 2015
"***NTA***"	:	Net tangible asset
"***Rigs***"	:	Has the meaning ascribed to it in paragraph 2.2(a) of Annexure A to this Appendix
"***Securities Account***"	:	A securities account maintained by a Depositor with CDP, but does not include a securities account maintained with a Depository Agent
"***Securities and Futures Act***"	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
"***Senior Executives***"	:	The senior executives of the Company (with no interest, direct or indirect, in the relevant Interested Person Transaction), for the purposes of the review procedures described in paragraph 5 (Review Procedures for the Interested Person Transactions Under the IPT Mandates) of Annexure A to this Appendix, consisting of the Head of Commercial, Head of Finance and General Manager of the various departments or such person of equivalent authority
"***SGX-Mainboard***"	:	The Mainboard of the SGX-ST
"***SGX-ST***"	:	Singapore Exchange Securities Trading Limited
"***Share Buy Back***"	:	Buy back of Shares by the Company pursuant to the Share Buy Back Mandate

"***Share Buy Back Mandate***"	:	A general mandate given by Shareholders to authorise the Directors to purchase, on behalf of the Company, Shares in accordance with the terms set out in Annexure B as well as the rules and regulations set forth in the Companies Act and the Listing Manual
"***Shareholders***"	:	Registered holders of Shares, except that where the registered holder is the Central Depository (Pte) Limited, the term "***Shareholder***" shall, in relation to those Shares, mean the Depositors whose Securities Accounts are credited with Shares
"***Shares***"	:	Ordinary shares in the share capital of the Company
"***Substantial Shareholder***"	:	A Shareholder who has an interest in not less than 5% of the issued Shares, as defined under Section 81 of the Companies Act
"***Take-over Code***"	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
"***UMW***"	:	PT Unimas Motor Wasta
"***S$***" and "***cents***"	:	Dollars and cents respectively of the currency of Singapore
"***%***"	:	Per centum or percentage

The terms "***Depositors***", "***Depository***", "***Depository Agent***" and "***Depository Register***" shall have the meanings ascribed to them, respectively, in Section 130A of the Companies Act.

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix 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)

Board of Directors:

Mr Kris Taenar Wiluan (Executive Chairman and CEO)
Mr Richard James Wiluan (Executive Director)
Mr Lim Ho Seng (Non-Executive and Lead Independent Director)
Mr Billy Lee Beng Cheng (Non-Executive and Independent Director)
Mr Wong Meng Yeng (Non-Executive and Independent Director)
Mr Lawrence Stephen Basapa (Non-Executive and Independent Director)
Mr Chew Choon Soo (Non-Executive and Independent Director)

Registered Office:

19 Jurong Port Road
Singapore 619093

7 April 2015

To: The Shareholders of KS Energy Limited

Dear Sir/Madam

(A) THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT DWI SUMBER ARCA WAJA GROUP (THE "DSAW IPT MANDATE");

(B) THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT KS DRILLING INDONESIA AND/OR ITS SUBSIDIARIES (THE "JVC IPT MANDATE"); AND

(C) THE PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

1. INTRODUCTION

1.1 Annual General Meeting

Reference is made to the Notice of Annual General Meeting of KS Energy Limited (the "**Company**") dated 7 April 2015, accompanying the Annual Report of the Company for the financial year ended 31 December 2014, convening the Annual General Meeting of the Company (the "**AGM**") which is scheduled to be held on 29 April 2015 and the Ordinary Resolutions 11, 12 and 13 in relation to the renewal of the DSAW IPT Mandate, the renewal of the JVC IPT Mandate and the renewal of the Share Buy Back Mandate respectively, under the heading "Special Business" set out in the Notice.

1.2 Purpose of this Appendix

The purpose of this Appendix is:

(a) to provide the Independent Shareholders with details in respect of the proposed renewal of the DSAW IPT Mandate;

(b) to provide the Independent Shareholders with details in respect of the proposed renewal of the JVC IPT Mandate; and

(c) to provide the Shareholders with details in respect of the proposed renewal of the Share Buy Back Mandate.

2. PROPOSED RENEWAL OF THE DSAW IPT MANDATE

2.1 The Existing DSAW IPT Mandate

At the EGM held on 26 April 2012, the Independent Shareholders granted approval for certain Interested Person Transactions, to be entered into between the Company, its subsidiaries and Associated Companies or any of them, and the DSAW Interested Persons, pursuant to Chapter 9 of the Listing Manual. The DSAW IPT Mandate was subsequently renewed at the AGMs held on 30 April 2013 and 29 April 2014.

The DSAW IPT Mandate enables the Company, its subsidiaries and associated companies which are considered "entities at risk" within the meaning of Rule 904 of the Listing Manual, in their ordinary course of business, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms.

2.2 Details of the DSAW IPT Mandate

Details of the DSAW IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in Annexure A to this Appendix.

2.3 Proposed Renewal of the DSAW IPT Mandate

The DSAW IPT Mandate was to take effect until the conclusion of the AGM to be held on 29 April 2015. Accordingly, the Directors propose that the DSAW IPT Mandate be renewed at the AGM, taking effect until the conclusion of the following AGM.

3. PROPOSED RENEWAL OF THE JVC IPT MANDATE

3.1 The Existing JVC IPT Mandate

At the EGM held on 7 December 2012, the Independent Shareholders granted approval for certain Interested Person Transactions, to be entered into between the Company, its subsidiaries and associated companies or any of them, and the JVC Interested Persons, pursuant to Chapter 9 of the Listing Manual. The JVC IPT Mandate was subsequently renewed at the AGMs held on 30 April 2013 and 29 April 2014.

The JVC IPT Mandate enables the Company, its subsidiaries and associated companies which are considered "entities at risk" within the meaning of Rule 904 of the Listing Manual, in their ordinary course of business, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms.

3.2 Details of the JVC IPT Mandate

Details of the JVC IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in Annexure A to this Appendix.

3.3 Proposed Renewal of the JVC IPT Mandate

The JVC IPT Mandate was to take effect until the conclusion of the AGM to be held on 29 April 2015. Accordingly, the Directors propose that the JVC IPT Mandate be renewed at the AGM, taking effect until the conclusion of the following AGM.

4. PROPOSED RENEWAL OF THE SHARE BUY BACK MANDATE

4.1 The Existing Share Buy Back Mandate

At the AGM held on 29 April 2014, Shareholders granted approval of a mandate for the Directors to exercise the power of the Company to make Share repurchases of up to 51,293,221 Shares, representing 10% of the then issued share capital of the Company as at that AGM.

4.2 Details of the Share Buy Back Mandate

Details of the Share Buy Back Mandate, including the rationale, the terms of the mandate, the financial effects of the Share Buy Back Mandate, obligations under the Take-over Code, reporting requirements under the Companies Act and other general information required by Part XIII of Chapter 8 of the Listing Manual are set out in the Annexure B to this Appendix.

4.3 Proposed Renewal of the Share Buy Back Mandate

The Share Buy Back Mandate was to take effect until the conclusion of the AGM to be held on 29 April 2015. Accordingly, the Directors propose that the Share Buy Back Mandate be renewed at the AGM to authorise Directors to exercise all powers of the Company to make market and off-market purchases from time to time for the duration set out in paragraph 2.1(b) of Annexure B to the Appendix, of up to 10% of the issued share capital of the Company as at the date of the AGM at the price of up to, but not exceeding the Maximum Price (as defined in paragraph 2.1(d) of Annexure B to the Appendix). Once the Share Buy Back Mandate is approved, it will take effect from 29 April 2015 until the conclusion of the following AGM.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors have any direct or deemed interest in the Shares of the Company:

	Direct Interest		Deemed Interest	
	Number of Shares	%[1]	Number of Shares	%[1]
Directors				
Mr Kris Taenar Wiluan[2]	–	–	300,213,162	58.53
Mr Richard James Wiluan[2]	–	–	300,213,162	58.53
Mr Lawrence Stephen Basapa	50,000	0.01	–	–
Substantial Shareholders				
Pacific One Energy Limited[2]	300,213,162	58.53	–	–
Rija Holdings Limited[2]	–	–	300,213,162	58.53
Dubai Transport Company LLC	50,751,948	9.89	–	–
UBS Trustee (Bahamas) Ltd.[3]	–	–	26,460,000	5.15

Notes:

(1) The percentage of issued share capital is calculated on the basis of 512,932,215 Shares, excluding 11,308,000 treasury shares, as at the Latest Practicable Date.

(2) Rija Holdings Limited, which is the holding company of Pacific One Energy Limited, is controlled by Mr Kris Taenar Wiluan and Mr Richard James Wiluan. By virtue of Section 4 of the Securities and Futures Act, Rija Holdings Limited, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are deemed interested in the 300,213,162 Shares held by Pacific One Energy Limited.

(3) UBS Trustees (Bahamas) Ltd. ("UBSTBL") is the trustee of two unrelated personal trusts. Under each trust, UBSTBL holds 100% of the shares of an international business corporation (incorporated in Bahamas and British Virgin Islands respectively) which in turn holds shares in the Company through a bank account maintained with UBS AG Singapore.

6. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

By virtue of its interest in the DSAW IPT Mandate and the JVC IPT Mandate (collectively, the "**IPT Mandates**"), Pacific One Energy Limited, holding direct interests of 58.53% in the share capital of the Company, will abstain and has undertaken to ensure that its associates will abstain from voting in respect of Ordinary Resolution 11 and Ordinary Resolution 12 in relation to the the renewals of the DSAW IPT Mandate and the JVC IPT Mandate respectively, under the heading "Special Business" set out in the Notice.

Further, Pacific One Energy Limited undertakes to decline, and ensures that its associates will decline, to accept appointment as proxies to vote and attend at the AGM in respect of of the ordinary resolutions to approve the renewal of the IPT Mandates for other Shareholders of the Company unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast.

7. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The ARMC has reviewed the terms of the proposed IPT Mandates and confirms that:

(a) the methods or procedures for determining the transaction prices under the DSAW IPT Mandate and the JVC IPT Mandate have not changed since the AGM of the Company held on 29 April 2014; and

(b) the methods or procedures for determining the transaction prices under the IPT Mandates are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the periodic reviews by the ARMC, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the Interested Person Transactions will be transacted on an arm's length basis and on normal commercial terms and would be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new guidelines and procedures.

8. DIRECTORS' RECOMMENDATIONS

The Independent Directors who are independent for the purposes of the proposed IPT Mandates, having considered, *inter alia*, the terms, the rationale and the benefits of the IPT Mandates and the statement of the ARMC, are of the view that the IPT Mandates, as proposed to be renewed, are in the best interests of the Company and accordingly

recommend that the Independent Shareholders vote in favour of Ordinary Resolution 11 and Ordinary Resolution 12, being the Ordinary Resolutions relating to the proposed renewals of the DSAW IPT Mandate and the JVC IPT Mandate respectively, at the AGM.

The Board, all the members of which are independent for the purposes of the proposed Share Buy Back Mandate, having considered, *inter alia*, the terms, the rationale and the benefits of the proposed Share Buy Back Mandate, are of the view that the Share Buy Back Mandate, as proposed to be renewed, is in the best interests of the Company and accordingly recommend that the Shareholders vote in favour of Ordinary Resolution 13, being the Ordinary Resolution relating to the proposed renewal of the Share Buy Back Mandate, at the AGM.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewals of the IPT Mandates and the proposed renewal of the Share Buy Back Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix 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 those sources and/or reproduced in this Appendix in its proper form and context.

10. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 19 Jurong Port Road, Singapore 619093, during normal business hours from the date of this Appendix to the date of the forthcoming AGM scheduled to be held on 29 April 2015:

(i) the Memorandum and Articles of Association of the Company; and

(ii) the Annual Report 2014.

Yours faithfully,
For and on behalf of the Board of Directors of
KS Energy Limited

Lim Ho Seng
Director

ANNEXURE A

INTERESTED PERSON TRANSACTIONS MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 of the Listing Manual ("**Chapter 9**"), applies to transactions which an entity at risk proposes to enter into with a counterparty who is an interested person of the entity at risk. Under Chapter 9, Shareholders' approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

Pursuant to Listing Rule 905, a listed company must make an immediate announcement of any such transaction where:

(a) the value of such transaction is equal to or exceeds 3% of the group's latest audited net tangible assets; or

(b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year, equals to or exceeds 3% of the group's latest audited net tangible assets.

Pursuant to Listing Rule 906, shareholders' approval (in addition to an immediate announcement) is required for any such transaction where:

(a) the value of such transaction is equal to or exceeds 5% of the group's latest audited net tangible assets; or

(b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year, equals to or exceeds 5% of the group's latest audited net tangible assets. Such aggregation need not include any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

Interested person transactions below S$100,000 each are to be excluded.

1.2 Chapter 9 allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. However, these transactions may not include the purchase or sale of assets, undertakings or businesses.

1.3 As defined in the Listing Manual:

(a) an "entity at risk" means:

(i) the issuer;

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

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

(b) an "interested person" means:

(i) a director, chief executive officer or controlling shareholder of the listed company; or

(ii) an associate of such director, chief executive officer or controlling shareholder.

(c) an "associate" means:

(i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

(aa) an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent);

(bb) 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

(cc) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

(ii) 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% or more;

(d) an "interested person transaction" means a transaction between an entity at risk and an interested person; and

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

2. SCOPE OF THE IPT MANDATES

The IPT Mandates will not cover any transaction with an Interested Person that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 would not apply to such transactions.

Transactions with interested persons which do not fall within the ambit of the IPT Mandates shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual and/or any applicable law. Transactions conducted under the IPT Mandates are not separately subject to Rules 905 and 906 of Chapter 9 of the Listing Manual pertaining to threshold and aggregation requirements.

2.1 Scope of the DSAW IPT Mandate

A general mandate was granted to the Company by its shareholders in an EGM held on 26 April 2012 to undertake recurrent IPTs with the DSAW Group of a revenue or trading nature or for those necessary for its day-to-day operations, excluding those transactions involving the purchase or sale of assets, undertakings or businesses (the "**DSAW IPT Mandate**"),

pursuant to Rule 920 of the Listing Manual, and subsequently renewed at the AGMs held on 30 April 2013 and 29 April 2014. The DSAW IPT Mandate covered the purchasing and/or leasing of various Equipment (as defined in paragraph 2.1(b) below) from the DSAW Group and engaging its services to repair, maintain, refurbish, modify and/or upgrade the KS Group's Equipment, and the leasing of the DSAW Group's warehouses and workshops to the KS Group.

The categories of Interested Person Transactions which are covered by the DSAW IPT Mandate include but are not limited to:

(a) Provision of goods and services to and from the DSAW Group

The provision of goods and services from the DSAW Group to the KS Group will include:

(i) the sale of completed large diameter steel pipes and structural tubulars;

(ii) the provision of Conversion Services to the KS Group in situations where the KS Group procures the necessary raw materials and upon the completion of the Conversion Services by the DSAW Group, the finished products will be sold by the KS Group to its customers; and

(iii) the lease of the DSAW Group's facilities, being warehouses for the storage of its parts, equipment and consumables used in its operations in Indonesia and workshops for carrying out its own maintenance, overhauling or refurbishment of its Equipment in the region.

In addition, the KS Group intends to continue to sell to the DSAW Group its range of products including, but not limited to:

(i) rolling plates and steel products such as line pipes, rolled sections (including beams, angles and channels), plain steel plates, hot rolled steel coils and related products;

(ii) welding equipment, consumables and related products;

(iii) oil and gas products such as high pressure flow control equipment, fluid connector assemblies, professional heavy-duty hand tools, well head lubricants, offshore cargo nets and related products;

(iv) industrial products and materials such as pipe tools, hose and hose fittings, chain and chain components, needle and gauge valves including spares and consumables and related products;

(v) hydraulic equipment, gaskets, spare parts and accessories and related products; and

(vi) instrumentation products such as tubes, valves and related products.

(b) Provision of other Equipment and Services by the DSAW Group

The DSAW Group is also a fabricator and manufacturer of structural platforms, onshore and offshore rigs, modules and equipment (collectively, "**Equipment**") for the oil and gas industry.

In addition to the transactions set out in paragraph 2.1(a) above, the KS Group intends to purchase and/or lease various Equipment from the DSAW Group including but not limited to onshore and offshore rigs.

The KS Group also intends to engage the services of the DSAW Group in relation to the repair, maintenance, refurbishment, modification and upgrading of the KS Group's Equipment.

2.2 Scope of the JVC IPT Mandate

A general mandate was granted to the Company by its shareholders in an extraordinary general meeting held on 7 December 2012 to undertake recurrent IPTs with the JVC Group of a revenue or trading nature or for those necessary for its day-to-day operations, excluding those transactions involving the purchase or sale of assets, undertakings or businesses (the "**JVC IPT Mandate**"), pursuant to Rule 920 of the Listing Manual, and subsequently renewed at the AGMs held on 30 April 2013 and 29 April 2014. The JVC IPT Mandate covered the provision of Rigs (as defined in paragraph 2.2(a) below) and associated equipment to and from the JVC Group, and the provision of Management Services (as defined in paragraph 2.2(b) below) by KS Drilling to the JVC Group.

The categories of Interested Person Transactions which are covered by the JVC IPT Mandate include:

(a) the buying, selling and chartering of onshore and offshore rigs ("**Rigs**") and associated equipment between the KS Group and the JVC Group; and

(b) the provision of management services by KS Drilling to the JVC Group, which includes:

(i) managing the daily operations of the JVC Group;

(ii) providing the technical expertise and management systems required for the preventative maintenance and repair for the Rigs; and

(iii) KS Drilling having the exclusive rights to market the JVC Group's Rigs and associated equipment

(collectively, the "**Management Services**").

The buying, selling and chartering of Rigs and associated equipment and the provision of Management Services are transactions entered into by the KS Group in the ordinary course of its business.

3. CLASSES OF INTERESTED PERSONS

3.1 The DSAW Interested Persons

The DSAW IPT Mandate will apply to the IPTs (as described in paragraph 2.1 above) which are carried out with DSAW and their respective associates (as defined in the Listing Manual).

(a) Mr Kris Taenar Wiluan is the Executive Chairman, CEO and a Controlling Shareholder of the Company. Mr Richard James Wiluan is the Executive Director and a Controlling

Shareholder of the Company. As at the Latest Practicable Date, they are deemed interested in 58.53% 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.

(b) As at the Latest Practicable Date, CAIN holds 48.75% of the issued and paid-up share capital of DSAW. CAIN is a company established in Indonesia and is also a direct shareholder of 5.36% of the issued and paid-up share capital of PT Citra Tubindo Engineering. PT Citra Tubindo Engineering is a subsidiary of DSAW with DSAW holding 94.64% of its issued and paid-up share capital. CAIN and Mr Kris Taenar Wiluan also holds 95.00% and 5.00%, respectively, of the issued and paid-up share capital of PT Unimas Motor Wasta ("**UMW**") and UMW in turn holds 0.40% of the issued and paid-up share capital of DSAW. As at the Latest Practicable Date:

(i) Mr Kris Taenar Wiluan and his sister (and therefore associate), Ms Hedy Wiluan, are shareholders of CAIN and they hold 60.00% and 40.00% of the issued and paid-up share capital of CAIN, respectively. Mr Kris Taenar Wiluan and Ms Hedy Wiluan are the President Commissioner and Commissioner of CAIN, respectively.

(ii) Pursuant to Section 7 of the Companies Act and through his interest in CAIN, Mr Kris Taenar Wiluan is deemed interested in 94.23% of the issued and paid-up share capital of DSAW. Ms Hedy Wiluan is similarly deemed interested in 94.23% of the issued and paid-up share capital of DSAW. The remaining 5.77% of the issued and paid-up share capital of DSAW is held by unrelated third parties.

(c) As at the Latest Practicable Date, Mr Kris Taenar Wiluan (alone or together with his associate, Ms Hedy Wiluan) is, in aggregate, interested in 94.23% of the issued and paid-up share capital of DSAW. DSAW is thus Mr Kris Taenar Wiluan's associate and an interested person of the Company.

For the reasons set out in paragraphs 3.1(a) to 3.1(c) above, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are thus deemed interested in the outcome of the ordinary resolution to renew the DSAW IPT Mandate and are therefore not Independent Directors.

3.2 The JVC Interested Persons

The JVC IPT Mandate will apply to the IPTs (as described in paragraph 2.2 above, which are carried out with CAIN and its associates, as well as the JVC Group and its associates (as defined in the Listing Manual).

For the reasons set out in paragraphs 3.1(a) and 3.1(b)(i) above, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are interested in the outcome of the ordinary resolution to approve the renewal of the JVC IPT Mandate and are therefore not Independent Directors.

4. RATIONALE FOR AND BENEFITS OF THE IPT MANDATES

The IPT Mandates are intended to facilitate transactions conducted in the ordinary course of business of the KS Group, which are recurrent in nature and which may be transacted from time to time with the Interested Persons. The transactions shall be carried out on normal commercial (or, in the absence of other similar comparable transactions, commercially reasonable) terms and must not be prejudicial to the interests of the KS Group and the minority Shareholders.

The Directors are of the view that it will be beneficial to the KS Group to transact or continue to transact with the Interested Persons for the reasons stated below:

4.1 Rationale for and Benefits of the DSAW IPT Mandate

The KS Group intends to, in the ordinary course of business, continue entering into trading transactions with the DSAW Group. It is thus impractical for the Company to announce and/or convene separate general meetings on each occasion to seek Shareholders' approval for the entry by the KS Group into such transactions. The DSAW IPT Mandate enables the KS Group to conduct its ordinary business of trading with the DSAW Group, which is time sensitive and recurring in nature.

The proposed renewal of the DSAW IPT Mandate on an annual basis would eliminate the need for the Company to announce, or to announce and convene separate general meetings from time to time to seek the Shareholders' prior approval, as and when potential IPTs with DSAW or any of its subsidiaries arise, thereby reducing substantially the administrative time, inconvenience and expenses involved in convening such meetings, without compromising the Company's corporate objectives and/or adversely affecting the business opportunities available to the KS Group. The KS Group's resources and time can thus be focused on attaining other corporate and business opportunities.

Sales to DSAW will represent an additional source of revenue for the KS Group. With regard to purchases, the KS Group will not only be able to offer an expanded product range to its customers, but will also be obtaining quotations from the DSAW Group, in addition to obtaining quotations from third parties. The various quotations available for assessment will ensure that the KS Group obtains competitive prices for goods and services of similar quality and specifications.

The KS Group will build on its mutual course of dealings with the DSAW Group over the years and benefit from the familiarity that the DSAW Group possesses in relation to the specifications and requirements that it requires for such goods and services. This gives the KS Group assurance that the quality of goods and services provided by the DSAW Group would meet its requirements and standards. The terms that the KS Group extends to the DSAW Group (both for sales, as well as purchases) will not be more favourable than that which it extends to unrelated third parties.

The purchase of onshore and offshore rigs from an Indonesian manufacturer of rigs such as the DSAW Group, should contribute towards helping the KS Group's Indonesian subsidiaries achieve the local content requirements set out by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("**BPMigas**") in accordance with BPMigas Operations Guidelines Number 007 Revision-II/PTK/I/2011 regarding Supply Chain Management Guidelines for Cooperation Contract Contractors and MEMR Regulation No. 15 of 2013 in relation to regulations on local content requirement for upstream oil and gas procurement. Achieving such local content requirement should enhance the ability of the KS Group's Indonesian subsidiaries to participate in tenders with cooperation contract contractors (also known as production-sharing contractors) despite its status as a majority foreign-owned Indonesian company. The adherence to local content standards by production sharing contractors is monitored by The Special Task Force for upstream Oil and Natural Gas Business Activities (SKK Migas), which was set up pursuant to Presidential Regulation No. 9 of 2013 following the disbanding of BPMigas on 13 November 2013.

4.2 Rationale for and Benefits of the JVC IPT Mandate

The buying, selling and chartering of Rigs and associated equipment between the KS Group and the JVC Group will enable both parties to be competitive in tendering for projects in the respective regions in which the parties operate. Consequently, the KS Group will be able to enjoy the financial rewards of securing such projects, regardless as to whether such projects are secured by the KS Group or the JVC Group. The KS Group therefore intends, in the ordinary course of business, to enter into trading transactions with the JVC Group. It is thus impractical for the Company to announce and/or convene separate general meetings on each occasion to seek Shareholders' approval for the entry by the KS Group into such transactions. The IPT Mandate is intended to enable the KS Group to conduct its ordinary business of trading with the JVC Group, which is time sensitive and recurring in nature.

In view of the time sensitive nature of the transactions, it would be advantageous to the KS Group to obtain the IPT Mandate as this will substantially reduce administrative time and expenses associated with the making of such announcements and/or the convening of general meetings from time to time, and allow manpower resources to be focused towards other corporate and business opportunities.

Further, the ownership of Rigs and associated equipment by the JVC Group should contribute towards helping JVC achieve the local content requirements set out by BPMigas in accordance with BPMigas Operations Guidelines Number 007 Revision-II/PTK/I/2011 regarding Guidelines for Implementation of Procurement of Goods and Services and MEMR Regulation No. 15 of 2013 in relation to regulations on local content requirement for upstream oil and gas procurement. The adherence to local content standards by production sharing contractors is monitored by The Special Task Force for upstream Oil and Natural Gas Business Activities (SKK Migas), which was set up pursuant to Presidential Regulation No. 9 of 2013 following the disbanding of BPMigas on 13 November 2013.

5. REVIEW PROCEDURES FOR THE INTERESTED PERSON TRANSACTIONS UNDER THE IPT MANDATES

5.1 Review Procedures for the Interested Person Transactions Under the DSAW IPT Mandate

To ensure that the Interested Person Transactions are conducted at arm's length and on normal commercial terms consistent with the KS Group's usual business practices and on terms which are either generally not more favourable than the usual commercial terms extended to unrelated third parties or generally not less favourable than the usual commercial terms offered by unrelated third parties, the Company has adopted and/or will adopt the following procedures for the review and approval of Interested Person Transactions under the DSAW IPT Mandate:

(a) Goods and services and Equipment from the DSAW Group

(i) Prior to entering into an Interested Person Transaction for the provision of goods and services by the DSAW Group in accordance with paragraph 2.1(a) above, the Company or its subsidiary (as the case may be) will obtain quotations from at least two (2) other unrelated third parties for a similar transaction as a basis for comparison to determine whether the price and terms offered by DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to

those offered by unrelated third parties for a similar transaction. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the ARMC.

Where it is impractical or not possible to obtain quotations from unrelated third parties due to the unique nature of the transaction, such transaction shall be carried out based on the prevailing market reference price available or established market references which are acceptable to the ARMC and is calculated by reference to any fair pricing basis to be determined and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the ARMC.

In determining whether the prices and terms for such transactions with DSAW or its subsidiary (as the case may be) are fair and reasonable, the Company or its subsidiary (as the case may be) will also take into consideration other factors, including but not limited to, speed and costs of delivery of the products or services, product or service quality and suitability, volume of transactions, end customer's requirements and specifications and track record of the DSAW Group as compared to those of other unrelated third parties providing similar products or services.

In determining whether the quotations for Conversion Services are fair and reasonable, the KS Group will take into account other factors that will affect the profit margin of the relevant project, including, but not limited to, the speed and costs of delivery of the raw materials to the DSAW Group, the delivery time and the track record of the DSAW Group as compared to those of other unrelated third parties providing similar Conversion Services.

(ii) Prior to entering into an Interested Person Transaction for the provision of other Equipment and services by the DSAW Group in accordance with paragraph 2.1(b) above, the Company or its subsidiary or its Associated Company (as the case may be) will obtain quotations from at least two (2) other unrelated third parties in Indonesia for a similar transaction as a basis for comparison to determine whether the price and terms offered by DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to those offered by other unrelated third parties in Indonesia for a similar transaction. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the ARMC.

Where it is impractical or not possible to obtain quotations from unrelated third parties due to the unique nature of the transaction, the Company or its subsidiary or its Associated Company (as the case may be) shall procure an independent valuation of the transaction and determine whether the price and terms offered by DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to the valuation. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the ARMC.

In determining whether the prices and terms for such transactions with DSAW or its subsidiary (as the case may be) are fair and reasonable, the Company or its subsidiary (as the case may be) will also take into consideration other factors, including but not limited, to speed and costs of delivery of the products or services,

product or service quality and suitability, volume of transactions, end customer's requirements and specifications and track record of the DSAW Group as compared to those of other unrelated third parties providing similar products or services.

(b) Provision of goods to the DSAW Group

(i) Prior to entering into an Interested Person Transaction for the provision of goods to the DSAW Group in accordance with paragraph 2.1(a) above, the selling prices of the products sold by the KS Group to unrelated third parties will be used as a basis for comparison to determine whether the prices and terms offered to DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to those offered to unrelated third parties for a similar transaction.

(ii) In determining whether the prices and terms for such sales to DSAW or its subsidiary (as the case may be) are fair and reasonable, the Company or its subsidiary (as the case may be) will also take into consideration other factors, including but not limited to speed and costs of delivery, volume of transactions, duration of contract, preferential rates and bulk discount or rebates.

5.2 Review Procedures for the Interested Person Transactions Under the JVC IPT Mandate

To ensure that the Interested Person Transactions conducted pursuant to the JVC IPT Mandate will be conducted at arm's length and on normal commercial terms consistent with the KS Group's usual business practices and on terms which are either generally not more favourable than the usual commercial terms extended to unrelated third parties or generally not less favourable than the usual commercial terms offered by unrelated third parties, the Company has adopted and/or will adopt the following procedures for the review and approval of Interested Person Transactions under the JVC IPT Mandate:

(a) Purchase of Rigs and associated equipment from the JVC Group

(i) Purchase of Rigs

Prior to entering into an Interested Person Transaction for the purchase of Rigs from the JVC Group in accordance with paragraph 2.2 above, the KS Group shall procure an independent valuation of the Rig and evaluate whether the price and terms offered by the JVC Group are fair and reasonable with reference to the independent valuation, taking into consideration other factors, including but not limited to, the speed and costs of delivery of the Rigs and the requirements of the KS Group in relation to its end customers. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed and approved by the ARMC prior to the transaction.

(ii) Purchase of associated equipment

Prior to entering into an Interested Person Transaction for the purchase of associated equipment from the JVC Group in accordance with paragraph 2.2 above, the KS Group will obtain quotations from at least two (2) other unrelated third parties for a similar transaction as a basis for comparison to evaluate whether the price and terms offered by the JVC Group are fair and reasonable taking into consideration other factors, including but not limited to, quality, suitability, speed and costs of delivery of the associated equipment and end customers'

requirements and whether such price and terms are comparable to those offered by unrelated third parties for a similar transaction. Such evaluation shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the ARMC in accordance with paragraphs 5.3 and 5.4 below.

Where it is impractical or not possible to obtain quotations from unrelated third parties due to the unique nature of the transaction, such transaction shall be carried out based on the prevailing market reference price available or established market references which are acceptable to the ARMC and is calculated by reference to any fair pricing basis to be evaluated and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the ARMC in accordance with paragraphs 5.3 and 5.4 below.

(b) Sale of Rigs and associated equipment to the JVC Group

(i) Sale of Rigs

Prior to entering into an Interested Person Transaction for the sale of Rigs to the JVC Group in accordance with paragraph 2.2 above, the KS Group shall procure an independent valuation of the Rigs and evaluate whether the price and terms offered to the JVC Group are fair and reasonable with reference to the independent valuation, taking into consideration other factors, including but not limited to, the original cost of the Rig, its rate of depreciation, demand from unrelated third parties and current market conditions. Such evaluation shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed and approved by the ARMC prior to the transaction.

(ii) Sale of associated equipment

Prior to entering into an Interested Person Transaction for the sale of Equipment to the JVC Group, in accordance with paragraph 2.2 above, the selling prices of such Equipment sold by the KS Group to unrelated third parties will be used as a basis for comparison to determine whether the prices and terms offered to the JVC Group are fair and reasonable and are comparable to those offered to unrelated third parties for a similar transaction.

Where due to its specialised nature and there is no precedent for the sale of such associated equipment by the KS Group to unrelated third parties, the sale of such specialised associated equipment to the JVC Group shall be based on KS Drilling's average operating margin as a benchmark and shall not be lower than KS Drilling's average operating margin for the last twelve months prior to such sale.

(c) Chartering of Rigs to or from the JVC Group

Where there is a new charter of Rigs from the JVC Group, this will be done by obtaining quotations from at least two (2) other unrelated third parties for a similar transaction as a basis for comparison. Where it is impractical or not possible to obtain quotations from unrelated third parties, at least two (2) Senior Executives of the Company shall evaluate whether such price and terms offered by the JVC Group are fair and reasonable and such determination shall be reviewed and approved by the ARMC prior to the transaction.

Where the transaction involves the chartering of Rigs to the JVC Group, the charter rates and terms offered by the KS Group to unrelated third parties will be used as a basis for comparison.

Where charter rates are revised as a result of changes in market conditions or where there is a renewal of chartering agreements between the KS Group and the JVC Group, the ARMC and at least two (2) Senior Executives of the Company shall review and approve the revised rates or the revised terms upon which the charter agreements are to be renewed to ensure that they are on normal commercial terms.

In reviewing whether the charter and terms for such transactions are on normal commercial terms or are fair and reasonable (as the case may be), factors such as, but not limited to the condition of the vessel, the size of the transaction, applicable industry norms and prevailing rates, specifications and strategic purposes of the transaction, shall be taken into account. Such determinations shall be reviewed and approved by the ARMC prior to the transaction.

(d) Provision of Management Services

The amount of fees to be charged for the provision of Management Services from KS Drilling to the JVC Group shall be based on KS Drilling's average operating margin and shall not be lower than KS Drilling's average operating margin for the last twelve months prior to such invoicing. Prior to invoicing the JVC Group, such fees shall be reviewed and approved by at least two (2) Senior Executives of the Company on the basis that the provision of Management Services shall be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders and such determinations shall be reviewed quarterly by the ARMC.

5.3 Threshold Limits for the IPT Mandates

In addition to the review procedures, the KS Group supplements its internal systems by setting threshold limits to its transactions, to ensure that all categories of Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms as follows:

(a) a Category 1 transaction is one where in relation to:

(i) the sale and purchase contracts (inclusive of charter agreements) with external reference quoted price, the transaction with an Interested Person is below or equal to S$5,000,000; or

(ii) any other sale and purchase contracts (inclusive of charter agreements) without external reference quoted price or rate and service agreements, the transaction with an Interested Person is below or equal to S$1,000,000;

Notwithstanding paragraph 5.4(a) below, in the event that the aggregate amount of transactions entered into pursuant to paragraph 5.2(a)(ii) exceeds the sum of S$10,000,000 or where the aggregate of Category 1 transactions exceed S$20,000,000, the Company shall, on a monthly basis, report all such transactions to the ARMC.

(b) a Category 2 transaction is one where in relation to:

(i) the sale and purchase contracts (inclusive of charter agreements) with external reference quoted price, the transaction with an Interested Person is in excess of S$5,000,000; or

(ii) any other sale and purchase contracts (inclusive of charter agreements) without external reference quoted price or rate and service agreements, the transaction with an Interested Person is in excess of S$1,000,000.

Category 1 transactions do not require the prior review and approval of the ARMC before the transaction is entered into but shall be reviewed on a quarterly basis by the ARMC. Category 2 transactions must be reviewed and approved by the ARMC prior to being contracted.

The thresholds of S$5,000,000 and S$1,000,000 are set as limits based on expected and past sale and purchase volumes of the KS Group. It also balances the requirement of commercial efficiency and the requirements of oversight by the ARMC. Having considered the current market prices, the prevailing market conditions and the expected sale volume, the Board is of the opinion that the threshold limits of S$5,000,000 and S$1,000,000 reflect a risk control level that is acceptable to the Company.

In the event that a member of the ARMC (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing that particular transaction. Approval of that transaction will accordingly be undertaken by the remaining members of the ARMC.

5.4 Other Review Procedures

In addition to the review procedures set out above, the following have been/will also be implemented:

(a) Notwithstanding the monthly reports to be provided pursuant to paragraph 5.3(a) above, the Company shall, on a quarterly basis, report to the ARMC on all Interested Person Transactions entered into pursuant to the IPT Mandate and the basis on which such transactions were entered into with the Interested Persons during the preceding quarter. The Internal Auditors will, on a quarterly basis, review all Interested Person Transactions entered into pursuant to the IPT Mandate and come up with a quarterly internal audit report. The ARMC shall review such internal audit report on such Interested Person Transaction at its quarterly meetings except where any such Interested Person Transaction requires the approval of the ARMC prior to the transaction.

(b) The Company's annual internal audit plan shall also include a review of the established review procedures for the monitoring of Interested Person Transactions during the current financial year. As part of the Company's annual audit, external auditors will review all Interested Person Transactions. The Internal Auditors shall report directly to the ARMC. The external auditors will review and confirm the Interested Person Transactions under the notes to the financial statements.

(c) For the purpose of the above review and approval process, any Director, who has an interest in the Interested Person Transaction under review will not be considered to be independent and will abstain from voting on any resolution relating to the Interested

Person Transaction and/or abstain from participating in the ARMC's decision during its review of the established review procedures for the Interested Person Transaction or during its review or approval of any Interested Person Transaction.

5.5 Register of IPTs

The Company will maintain a register of all transactions carried out with the Interested Persons pursuant to the IPT Mandate and shall include all information pertinent to the evaluation of the Interested Person Transactions such as, but not limited to the amount of such Interested Person Transactions, the basis for determining the transaction prices and supporting evidence and quotations obtained to support such basis.

The register of such Interested Person Transactions shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the Interested Person Transactions) who are duly delegated to do so by the ARMC and reviewed by the Internal Auditors on a quarterly basis and by the external auditors on an annual basis.

5.6 Review by Audit and Risk Management Committee

As mentioned in paragraph 5.4 of this annexure, the ARMC shall review the quarterly internal audit reports on the Interested Person Transactions to ascertain that the established review procedures for monitoring the Interested Person Transactions have been complied with.

If during these quarterly reviews, the ARMC is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, to ensure that the Interested Person Transactions entered into pursuant to the IPT Mandates will be conducted based on the Company's normal commercial terms and hence, will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will then seek the Shareholders' approval for the relevant fresh mandate(s) to be adopted based on new guidelines and procedures for transactions with the Interested Persons to ensure that such Interested Person Transactions will be conducted on an arm's length basis and on normal commercial terms. During the period prior to obtaining the relevant fresh mandate(s) from the Shareholders, all Interested Person Transactions which would ordinarily have been entered into pursuant to the relevant mandate(s) being replaced will be subject to prior review and approval by the ARMC.

If any member of the ARMC has an interest in a transaction, he shall abstain from participating in the review and approval process in relation to that transaction.

6. EXPIRY AND SUBSEQUENT RENEWAL OF THE IPT GENERAL MANDATE

If approved by the Shareholders at the AGM which is scheduled to be held on 29 April 2015, the IPT General Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the next AGM or the date by which the next AGM is required by law to be held, unless revoked or varied by the Company in a general meeting.

7. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE IPT GENERAL MANDATE

The Company will announce each of the aggregate values of transactions conducted with Interested Persons pursuant to each of the IPT Mandates for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure has been made in the Annual Report 2014 of each of the aggregate values of the transactions conducted with Interested Persons pursuant to each of the IPT Mandates during the financial year ended 31 December 2014, and will be made in our Company's Annual Reports for subsequent financial years that the IPT Mandates continue to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

ANNEXURE B

SHARE BUY BACK MANDATE

1. RATIONALE AND BENEFITS FOR THE SHARE BUY BACK MANDATE

The Share Buy Back Mandate would give the Company the flexibility to undertake buy backs of the Shares at any time, subject to market conditions, during the period when the Share Buy Back Mandate is in force. A Share Buy Back at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Further, amongst others, a Share Buy Back provides the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner. The Directors also expect that Share Buy Backs may also help mitigate against short term volatility of share price and offset the effects of short term speculation. Share Buy Backs will also allow the Directors greater control over the Company's share capital structure, dividend payout and cash reserves.

The buy back of Shares may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the EPS and/or NTA per Share of the Company and the KS Group, and will only be made when the Directors believe that such buy back would benefit the Company and its Shareholders.

Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy Back Mandate will only be made when the Directors believe that such purchases or acquisitions would be made in circumstances which would not have a material adverse effect on the financial position of the Company.

2. SHARE BUY BACK MANDATE

Any purchase or acquisition of Shares by the Company would have to be made in accordance with and in the manner prescribed by, the Companies Act and the rules of the Listing Manual and such other laws and regulations as may, for the time being, be applicable.

It is also a requirement that a company which wishes to purchase or acquire its own shares should obtain approval of its shareholders to do so at a general meeting. Accordingly, approval is being sought from Shareholders at the AGM for the adoption of a Share Buy Back Mandate for the purchase by the Company of its issued Shares. If approved, the Share Buy Back Mandate will take effect from the date of the AGM and continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law or by the Articles to be held, unless prior thereto, Share Buy Backs are carried out to the full extent mandated or the Share Buy Back Mandate is revoked or varied by the Company in a general meeting.

2.1 Terms of the Mandate

The authority and limitations placed on the Share Buy Back under the existing Share Buy Back Mandate are summarised below:

(a) Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired is limited to that number of Shares representing not more than 10% of the issued share capital of the Company, ascertained as at the date of the AGM at which the Share Buy Back Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the relevant period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered. For purposes of calculating the percentage of issued Shares above, any of the Shares which are held as treasury shares will be disregarded.

For illustrative purposes only, based on the existing issued and paid-up share capital of the Company of 512,932,215 Shares (excluding 11,308,000 treasury shares) as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 51,293,221 Shares (representing approximately 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buy Back Mandate.

(b) Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, from the Approval Date up to the earlier of:

(i) the date on which the next AGM of the Company is held or required by law or the Articles to be held;

(ii) the date on which the authority contained in the Share Buy Back Mandate is varied or revoked by the Shareholders in a general meeting; or

(iii) the date on which the Share Buy Back is carried out to the full extent mandated.

The Share Buy Back Mandate may be renewed at each AGM or other general meeting of the Company.

(c) Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of, *inter alia*:

(i) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and Listing Rules.

The Directors may impose such terms and conditions, which are consistent with the Share Buy Back Mandate, the Listing Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) offers for the purchase of issued Shares shall be made to every person who holds issued Shares to purchase the same percentage of their issued Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of the offers are the same, except that there shall be disregarded:

(aa) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements;

(bb) (if applicable) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Listing Rules provide that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed Share Buy Back;

(iv) the consequences, if any, of Share Buy Backs by the Company that will arise under the Take-over Code or other applicable takeover rules;

(v) whether the Share Buy Back, if made, would have any effect on the listing of the Shares on the SGX-ST;

(vi) details of any Share Buy Backs (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme) made by the Company in the previous 12 months, giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and

(vii) whether the shares purchased by the Company will be cancelled or kept as treasury shares.

(d) Maximum purchase price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price to be paid for a Share as determined by the Directors must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter) of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined hereinafter) of the Shares,

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-Market Day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.2 Status of Purchased Shares under the Share Buy Back Mandate

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share in accordance with the Companies Act. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

2.3 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(i) sell the treasury shares for cash;

(ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares; or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.4 Source of Funds for Share Buy Back

In buying back Shares, the Company may only apply funds legally available for such purchase in accordance with its Memorandum and Articles of Association, and the applicable laws in Singapore. The Company may not buy Shares on the Official List of the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST. The buy back of Shares by the Company may be made out of the Company's profits or capital so long as the Company is solvent.

When Shares are purchased or acquired, and cancelled:

(a) if the Shares are purchased or acquired entirely out of the capital of the Company, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax, clearance fees and other related expenses) (the "**Purchase Price**");

(b) if the Shares are purchased or acquired entirely out of profits of the Company, the Company shall reduce the amount of its profits available for the distribution of cash dividends by the total amount of the Purchase Price; or

(c) where the Shares are purchased or acquired out of both the capital and the profits of the Company, the Company shall reduce the amount of its share capital and profits available for the distribution of cash dividends proportionately by the total amount of the Purchase Price.

The Company may use internal resources and/or external borrowings to fund purchases of Shares pursuant to the Share Buy Back Mandate.

The Directors do not propose to exercise the Share Buy Back Mandate in a manner and to such extent that the liquidity and capital adequacy position of the Group would be materially adversely affected.

3. FINANCIAL EFFECTS OF THE SHARE BUY BACK MANDATE

Shareholders should note that the financial effects illustrated below are for illustration purposes only. In particular, it is important to note that the financial analysis set out below are based on the audited consolidated financial statements for FY2014 and are not necessarily representative of future financial performance of the Group. Although the proposed Share Buy Back Mandate would authorise the Company to buy back up to 10% of the Company's issued Shares, the Company may not necessarily buy back or be able to buy back 10% of the issued Shares in full.

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Buy Back Mandate on the financial effects as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The purchase price paid by the Company for the Shares (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. The Directors do not propose to exercise the Share Buy Back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions. The proposed Share Buy Back Mandate will be exercised with a view to enhance the EPS and/or NTA per Share of the Group. The financial effects presented in this section of the Appendix are based on the assumptions set out below:

(a) Information as at the Latest Practicable Date

As at the Latest Practicable Date, the issued share capital of the Company comprised 512,932,215 Shares (excluding 11,308,000 treasury shares).

(b) Illustrative Financial Effects

Purely for illustrative purposes, on the basis of 512,932,215 Shares (excluding the 11,308,000 treasury shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, the purchase by the Company of approximately 10% of its issued Shares will result in the purchase of 51,293,221 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 51,293,221 Shares at the Maximum Price of S$0.38 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the Official List of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 51,293,221 Shares is approximately S$19.5 million.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 51,293,221 Shares at the Maximum Price of S$0.43 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the Official List of the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 51,293,221 Shares is approximately S$22.1 million.

For illustrative purposes only and on the basis of the assumptions set out above as well as the following:

(i) the Share Buy Back Mandate had been effective on 1 January 2014;

(ii) such Share purchases are funded solely by external borrowings; and

(iii) the funding costs of such external borrowings have been excluded for the purpose of computing the financial effects,

the financial effects on the audited consolidated financial results of the Group and the Company for FY2014, are set out below:

	Group			
	Market Purchase		**Off-Market Purchase**	
As at 31 December 2014	**Before Share Purchase S$'000**	**After Share Purchase S$'000**	**Before Share Purchase S$'000**	**After Share Purchase S$'000**
Profit attributable to owners of the Company	30,128	30,128	30,128	30,128
Share Capital	359,973	340,482	359,973	337,917
Retained Earnings	55,575	55,575	55,575	55,575
Translation Reserve	(31,353)	(31,353)	(31,353)	(31,353)
Equity Reserve	24,717	24,717	24,717	24,717
Other Reserve	(3,750)	(3,750)	(3,750)	(3,750)
Treasury Shares	(34,510)	(34,510)	(34,510)	(34,510)
Shareholders' Equity	370,652	351,161	370,652	348,516
Total Equity[(1)]	445,056	425,565	445,056	423,000
Net Tangible Assets (NTA)[(2)]	440,894	421,403	440,894	418,838
Current Assets	163,069	163,069	163,069	163,069
Current Liabilities	174,048	193,539	174,048	196,104
Working Capital	(10,979)	(30,470)	(10,979)	(33,035)

ANNEXURE B

	Group			
	Market Purchase		Off-Market Purchase	
As at 31 December 2014	Before Share Purchase S$'000	After Share Purchase S$'000	Before Share Purchase S$'000	After Share Purchase S$'000
Total borrowings	413,754	433,245	413,754	435,810
Cash and cash equivalents	78,210	78,210	78,210	78,210
Net Debt[3]	335,544	355,035	335,544	357,600
Number of Shares as at 31 December 2014 ('000)	512,932	461,639	512,932	461,639
Weighted average number of Shares as at 31 December 2014 ('000)	512,932	461,639	512,932	461,639
Financial Ratios				
NTA per Share (cents)[2]	85.96	91.28	85.96	90.73
Gearing Ratio (times)[4]	0.75	0.83	0.75	0.85
Current Ratio (times)[5]	0.94	0.84	0.94	0.83
Basic EPS (cents)[6]	5.87	6.53	5.87	6.53

Notes:

(1) Total Equity equals Shareholders' Equity plus non-controlling interests.

(2) NTA equals Total Equity less intangible assets and minority interest. NTA per Share equals NTA divided by the number of Shares as at 31 December 2014.

(3) Net Debt means total borrowings less cash and cash equivalents.

(4) Gearing Ratio equals Net Debt divided by Total Equity.

(5) Current Ratio equals Current Assets divided by Current Liabilities.

(6) Basic EPS equals profit attributable to owners of the company divided by the weighted average number of Shares as at 31 December 2014.

	Company			
	Market Purchase		Off-Market Purchase	
As at 31 December 2014	Before Share Purchase S$'000	After Share Purchase S$'000	Before Share Purchase S$'000	After Share Purchase S$'000
Profit attributable to owners of the Company	(11,297)	(11,297)	(11,297)	(11,297)
Share Capital	359,973	340,482	359,973	337,917
Retained Earnings	(47,027)	(47,027)	(47,027)	(47,027)
Equity Reserve	24,717	24,717	24,717	24,717
Treasury Shares	(34,510)	(34,510)	(34,510)	(34,510)
Shareholders' Equity	303,153	283,662	303,153	281,097
Total Equity[1]	303,153	283,662	303,153	281,097
Net Tangible Assets (NTA)[2]	303,153	283,662	303,153	281,097

	Company			
	Market Purchase		Off-Market Purchase	
As at 31 December 2014	Before Share Purchase S$'000	After Share Purchase S$'000	Before Share Purchase S$'000	After Share Purchase S$'000
Current Assets	15,025	15,025	15,025	15,025
Current Liabilities	32,661	52,162	32,661	54,717
Working Capital	(17,636)	(37,127)	(17,636)	(39,692)
Total borrowings	69,303	88,794	69,303	91,359
Cash and cash equivalents	3,778	3,778	3,778	3,778
Net Debt[(2)]	65,525	85,016	65,525	87,581
Number of Shares as at 31 December 2014 ('000)	512,932	461,639	512,932	461,639
Weighted average number of Shares as at 31 December 2014 ('000)	512,932	461,639	512,932	461,639
Financial Ratios				
NTA per Share (cents)[(1)]	0.59	0.61	0.59	0.61
Gearing Ratio (times)[(3)]	0.22	0.30	0.22	0.31
Current Ratio (times)[(4)]	0.46	0.29	0.46	0.27
Basic EPS (cents)[(5)]	(2.20)	(2.45)	(2.20)	(2.45)

Notes:

(1) NTA equals Total Equity less intangible assets. NTA per Share equals NTA divided by the number of Shares as at 31 December 2014.

(2) Net Debt means total borrowings less cash and cash equivalents.

(3) Gearing Ratio equals Net Debt divided by Total Equity.

(4) Current Ratio equals Current Assets divided by Current Liabilities.

(5) Basic EPS equals profit attributable to owners of the Company divided by the weighted average number of Shares as at 31 December 2014.

The financial effects set out above are for illustrative purposes only. Although the Share Buy Back Mandate would authorise the Company to purchase up to 10% of the issued Shares, the Company may not necessarily purchase or be able to purchase the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

4. TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or the tax implications of a share buy-back by the Company or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

5. LISTING RULES

As at the Latest Practicable Date, approximately 23.47% of the issued share capital of the Company are held in the hands of the public. Assuming that the Company repurchased the maximum of 10% of its issued share capital as at the Latest Practicable Date from members of the public by way of a Market Purchase, the percentage of Shares held by the public would be approximately 14.96%.

The Directors will use their best efforts to ensure that the Company does not effect buy back of Shares if the buy back of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company.

Under the Listing Manual, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of shares over the last five (5) market days, on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Section 2.1(d) of Annexure B, conforms to this restriction.

Additionally, the Listing Manual also specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day of purchase of any of its shares; and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer.

While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy Back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Listing Manual, the Company will not purchase or acquire any Shares through purchases during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its Financial Year, or one (1) month immediately preceding the announcement of the Company's annual (full-year) results respectively.

6. TAKE-OVER OBLIGATIONS

6.1 Obligation to make a Take-over Offer

Pursuant to the Take-over Code, an increase of a Shareholder's proportionate interest in the voting rights of the Company resulting from a share buy back by the Company will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**").

Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months.

6.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia,* be presumed to be acting in concert:

(a) A company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(b) A company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(c) A company with any of its pension funds and employee share schemes;

(d) A person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) A financial or other professional adviser, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) Directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a bona fide offer for their company may be imminent;

(g) Partners; and

(h) An individual, his close relatives, his related trusts, and any person who is accustomed to act according to the instructions and companies controlled by any of the above.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

6.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy Back Mandate.

As Mr Kris Taenar Wiluan, Mr Richard James Wiluan, Rija Holdings Limited, Pacific One Energy Limited and persons presumed to be acting in concert with them under the Take-over Code have an aggregate shareholding interest of more than 50% in the Company as at the Latest Practicable Date, the increase in the shareholding, in the event the Company purchases the maximum number of Shares permissible under the Share Buy Back Mandate, will not require a general offer to be made under Rule 14.

Save as disclosed above, the Directors have confirmed that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholders are, or may be regarded as parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a Share Buy Back.

The statements in Annexure B do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share purchases or acquisitions by the Company.

7. SHARES PURCHASED BY THE COMPANY PURSUANT TO THE EXISTING MANDATE

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

8. REPORTING REQUIREMENTS UNDER THE COMPANIES ACT

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA. Within 30 days of a purchase of Shares on the Official List of SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including *inter alia*, details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.