KS ENERGY LIMITED

ANNUAL REPORT 2019

ENHANCING OUR CORE BUSINESS

CONTENTS

01	Corporate Profile
02	Chairman's Message
04	Key Milestones
06	Operations Review
08	Financial Review
14	Financial Highlights
15	Board Of Directors
17	Key Management
18	Global Network and Group Structure
19	KS Drilling Offices
20	Corporate Data
21	Corporate Governance Statement
50	Financial Contents
156	Shareholders' Information
158	Notice of Annual General Meeting
	Proxy Form

CORPORATE **PROFILE**

KS Energy Limited (the "**Company**" and together with its subsidiaries and associated companies, the "**Group**") is a services provider to the global oil and gas industry. 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 80.09% owned subsidiary, KS Drilling Pte Ltd ("**KS Drilling**"). KS Drilling is an international drilling company that is specialised in shallow water and onshore drilling and our focus is to create value for our customers in the energy industry, including renewable energy, worldwide.

The Group's other operating segment is held under the wholly owned subsidiary, KS Energy Engineering Services Pte Ltd (formerly known as 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, through its subsidiary Globaltech Systems Engineering Pte Ltd.

KS Medstar 1

A Globally Accredited and Integrated Oil & Gas Services Provider

CHAIRMAN'S **MESSAGE**

"Overall, FY2019 was a year of consolidation for the oil and gas industry, although the operating environment for our Group, as for every other industry player, remained challenging."

DEAR SHAREHOLDERS,

INTRODUCTION

On behalf of your Board of Directors, I am pleased to present you the Annual Report of KS Energy Limited and its subsidiaries (the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**").

The financial year started with Brent crude oil trading at around US$55 per barrel. It steadily increased to a peak of almost US$75 per barrel in April, on heightened supply concerns, and then consolidated to trade mainly in a range between US$60 and US$65 per barrel for the remainder of the year, with a short price spike in September caused by the missile attacks on crude oil production and processing infrastructure in Saudi Arabia. In general, less volatile energy prices are healthier for the industry, although the average Brent crude price in FY2019 was around US$64 per barrel, compared to around US$71 per barrel in FY2018.

In January 2020, the International Monetary Fund ("**IMF**") reported that global output was estimated to have grown by only 2.9 percent in 2019, its slowest pace since the global financial crisis of 2008 – 2009, versus 3.6 percent in 2018, because of rising trade barriers and increasing geopolitical tensions.

While some geopolitical fears have diminished, such as those related to the US-China trade negotiations and a no-deal Brexit, new concerns for the immediate future have emerged, particularly the COVID-19 virus. Overall, FY2019 was a year of consolidation for the oil and gas industry, although the operating environment for our Group, as for every other industry player, remained challenging.

FINANCIAL PERFORMANCE

Revenue in FY2019 totalled $32.3 million, a significant decrease compared to revenue of $51.4 million in FY2018.

CHAIRMAN'S MESSAGE

KS Java Star 2

This decrease was mainly due to the lower utilisation of the fleet of on-shore and off-shore drilling rigs owned and operated by our Drilling business.

In June 2019, we announced the termination of two new-build contracts following discussions with the shipyards concerned. The resulting financial impact from writing off the previously capitalised assets was over S$50 million, which significantly contributed to the depressed results in FY2019.

Overall, the Group reported a net loss after tax of $104.4 million in FY2019 from a net loss after tax of $53.9 million in FY2018. The net loss attributable to shareholders of the Company was $81.2 million for the year.

BOARD

The Board consists of three executive directors and three independent directors. Our three independent directors have now served on the Board for an average of five years and their diverse experiences have significantly added to the Board's strength.

OUTLOOK

In the new financial year, the operating environment will remain challenging for all our businesses until the passing of COVID-19 and a resolution between Saudi Arabia and Russia. The oil price trends that have impacted the global oil and gas industry will continue to affect us. However, having previously experienced such cyclical downturns in this industry, I believe that in the long term the economic fundamentals remain positive for oil and gas service companies such as ours.

APPRECIATION

Our ability to cope with the past financial year's challenges would not have been possible without the outstanding efforts of our entire workforce. In FY2019, the executive teams worked determinedly to steer the business through these difficult times and many tough decisions were taken along the way.

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

Yours Sincerely,

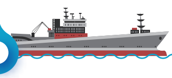
Kris Wiluan
Chairman and
Chief Executive Officer
1 April 2020

KEY **MILESTONES**

The Group's key milestones are listed below.

1999

On 6 August 1999, the Company was listed on SGX-SESDAQ.



2001

In April 2001, the Company acquired Aqua-Terra Supply Co, Limited ("ATS").

2002

On 11 March 2002, the Company transferred to the SGX-ST Main Board.

2004

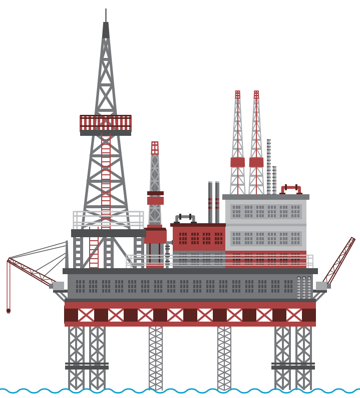
In March 2004, ATS was listed on SGX-SESDAQ.
In July 2004, the Company acquired a 75% equity stake in oil and gas company GlobalTech Group Pte Ltd.
In November 2004, the ATS acquired a 100% equity stake in MarineHub Pte Ltd, a distributor of oil and gas consumables, in order to expand its product range and customer base.

2005

In January 2005, ATS acquired a 25% equity stake in Runva Holdings Pte Ltd, a manufacturer and supplier of winches.

On 18 April 2005, the Issuer's subsidiary, ATS acquired a 100% equity stake in Orient Marine (as defined below), a specialist in the procurement of marine equipment and consumable parts business.

2006



In February 2006, the Company acquired the remaining 25% equity stake in oil and gas engineering company, GlobalTech Group Pte Ltd, which engages in the engineering consultancy, project management, and supply of custom-built system equipment for oil and gas, petrochemical, refinery, power generation, and marine industries.

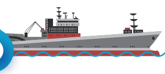
In November 2006, ATS acquired a 28.4% equity stake in SSH Corporation Ltd ("SSH"), a specialist supplier of high-grade industrial materials such as tubular products, steel plates and welding equipment.

KEY MILESTONES

2007

The Group's drilling business was established with the acquisition of Atlantic Oilfield Services Ltd in May 2007. After the acquisition, the Group had the capability to supply and operate capital equipment, including onshore and offshore rigs.

On 26 October 2007, KS Flow Control Pte Ltd ("KSFC") was incorporated in furtherance of the intended consolidation of the business carried on by the Instrumentation and Hydraulic Division and Valve Division of the Group.



2009

On 8 December 2009, the Company announced its proposal to integrate the distribution businesses of KSFC with ATS and SSH in partnership with Actis Excalibur Limited ("Actis").

2010

On 6 May 2010, the Company completed the integration of the distribution businesses held by a newly established holding company, KS Distribution Pte Ltd ("KSD").

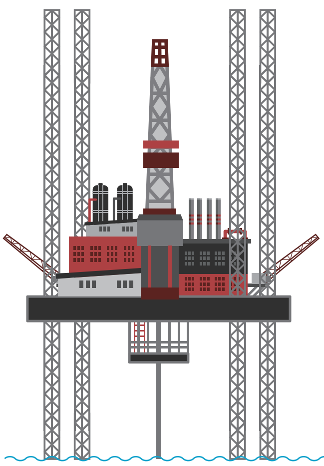
On 29 October 2010, KS Drilling Pte Ltd ("KSDR") entered into a sale and purchase agreement to purchase 60% of the entire issued and paid-up capital of PT Petro Papua Energi ("PPE") for a total consideration of approximately US$5.3 million (approximately S$6.8 million). With the acquisition of PPE, the drilling operations of KSDR will expand into Indonesia.

2011

On 24 February 2011, the Company announced that ITOCHU (as defined below) proposed to invest approximately 20% equity interest in KSDR which was successfully completed on 31 May 2011.

2012

On 3 October 2012, a joint venture company between KSDR and PT Citra Agramasinti Nusantara ("PT CAIN") was incorporated (the "JVC"). PT CAIN is a part of the Citramas Group founded by Mr. Kris Wiluan.



2018

On 19 October 2018, the Company announced that it has entered into a sale and purchase agreement with ACH Distribution Pte Ltd in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KS Resources Pte Ltd, ("KSR") which holds 55.35% of KS Distribution Pte Ltd. The sale was completed on 10 December 2018.

OPERATIONS **REVIEW**

KS Java Star 2

Market conditions continued its slow trajectory to recovery throughout 2019 but overall prospects are now expected to be negatively affected by the sudden market shocks in Q1 2020. We are expecting deterioration in the overall industry outlook in the short and medium term hence we will maintain our immediate focus on further cost rationalisation and direct our efforts towards marketing our rigs for deployment in our key familiar markets of Indonesia and Vietnam.

In 2019 KS Drilling was able to secure various new contracts for our rigs in Egypt, Indonesia and Vietnam. The jack-up rig KS Java Star 2 was able to secure contracts and extensions offshore Vietnam, which kept the rig employed throughout the year. Towards the end of the year, activity increased as work started for KS Medstar 1 offshore Egypt and KS Discoverer 8 in Indonesia. Notably, resources were allocated towards the refurbishment of the KS Java Star in order to reactivate her for the work secured during the year.

The need to maintain a cost-efficient reactivation process for our rigs was a key operational priority and KS Drilling maintained cost efficiency by consolidating our land rig presence into Indonesia and a complete exit from the Middle East market. New operational arrangements with industry partners to diversify our revenue streams were explored and a newly formed consortium was successful in securing a new contract for a semi-submersible drilling rig offshore Indonesia. KS Drilling aims to be well placed to compete for future jobs despite the current challenging outlook through the efforts developing local knowledge and business networks in recent years. The Group shall continue to work closely with our financing partners, who have continued their support throughout the downturn and remain important stakeholders through this challenging period.

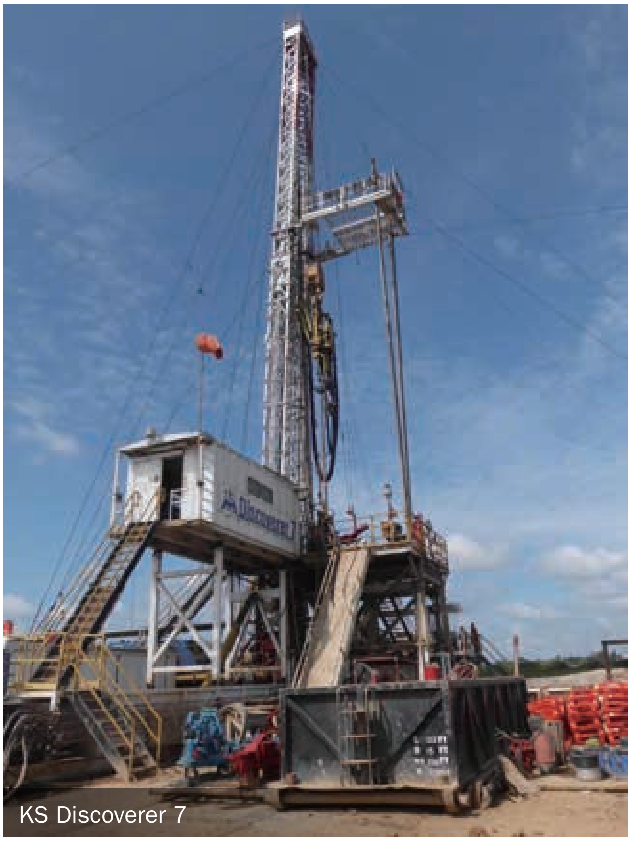
The two newbuild construction contracts were mutually terminated during the year after an agreement was reached with the respective shipyards. In addition, the Group will also continue to explore the divestment of surplus inventory relating to the newbuilds.

The oil market shock and COVID-19 crisis experienced in early 2020 has taken the industry by surprise and KS Drilling will continue to monitor industry conditions and adapt our business plans to ensure operational continuity. The Group remains steadfast in our focus on operational health and safety for all our personnel and partners, operational excellence and client satisfaction. This will enable KS Drilling to demonstrate our resilience and allow us to achieve better results when the overall market improves.

OPERATIONS REVIEW

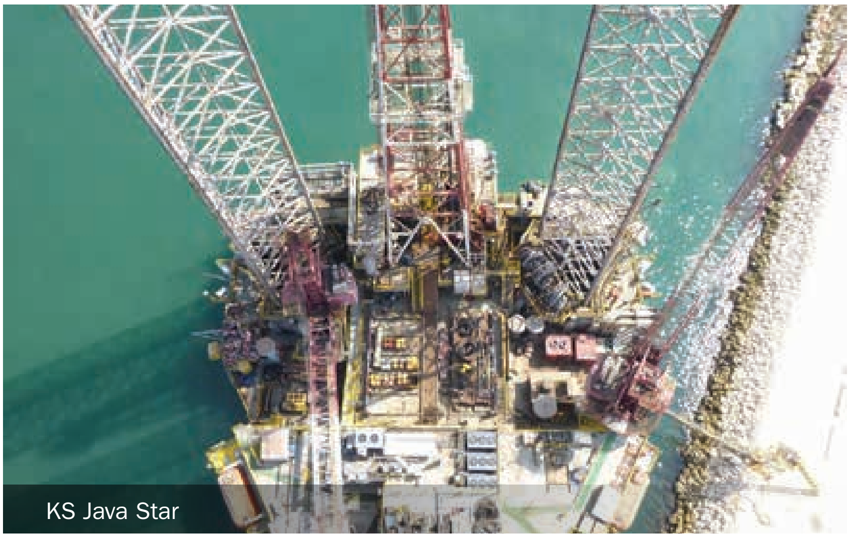
KS DRILLING FLEET:

NAME OF RIG	TYPE OF RIG	LOCATION
KS Java Star	Jack-Up Rig	Indonesia
KS Java Star 2	Jack-Up Rig	Vietnam
KS Medstar 1	Jack-Up Rig	Egypt
KS Discoverer 1	Land Rig	Indonesia
KS Discoverer 3	Land Rig	Indonesia
KS Discoverer 4	Land Rig	Indonesia
KS Discoverer 6	Land Rig	Indonesia
KS Discoverer 7	Land Rig	Indonesia
KS Discoverer 8	Land Rig	Indonesia



KS Discoverer 7

FINANCIAL **REVIEW**


KS Java Star

OVERVIEW

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

The consolidated revenue was $32.3 million for FY2019, a decrease of $19.1 million, or 37.3%, below that of $51.4 million reported for the twelve months ended 31 December 2018 ("FY2018") due to lower revenue from the Drilling segment following the completion of contracts for our onshore drilling rigs in Indonesia during the second, third and fourth quarters of FY2018 and offshore drilling rig in Egypt during the third quarter of FY2018.

REVENUE

Drilling Business:

Revenue from the Drilling business decreased $19.3 million, or 38.3%, from $50.6 million for FY2018 to $31.3 million for FY2019. The lower revenue resulted from completion of contracts for our onshore drilling rigs in Indonesia during the second, third and fourth quarters of FY2018 and offshore drilling rig in Egypt during the third quarter of FY2018. Revenue contribution from the Drilling business made up about 96.8% of the Group's consolidated revenue for FY2019.

Engineering Business:

Revenue from the Engineering business increased $0.3 million from $0.8 million for FY2018 to $1.1 million for FY2019. The higher revenue resulted from new projects awarded in 2019. Revenue contribution from the Engineering business made up about 3.2% of the Group's consolidated revenue for FY2019.

GROSS LOSS

The gross loss of $17.3 million for FY2019 was 4.5% smaller than the gross loss of $18.1 million reported for FY2018. The smaller gross loss in FY2019 was the net result of a $19.9 million decrease in cost of sales and a $19.1 million decrease in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation charges which decreased from $29.3 million in FY2018 to $28.7 million in FY2019. The lower depreciation charge in FY2019 was mainly due to the disposal of plant and equipment in FY2018 and some fully depreciated equipment. Cost of sales in FY2019 included $0.7 million of mobilisation costs incurred to relocate an onshore drilling rig to Indonesia. All our onshore drilling rigs are now located in Indonesia.

The gross loss margin increased from 35.2% in FY2018 to 53.6% in FY2019. Excluding rig depreciation from cost of sales, the adjusted gross margin increased from 21.7% in FY2018 to 35.2% in FY2019.

OTHER INCOME

The breakdown of "other income" is shown below:

	FY2019 $'000	FY2018 $'000	Change $'000
Detailed breakdown:			
Gain on disposal of plant and equipment	653	–	653
Scrap sales	–	41	(41)
Gain on sale of diesel supplies	–	30	(30)
Others	1	35	(34)
Other Income	**654**	**106**	**548**

Other income increased from $0.1 million for FY2018 to $0.7 million for FY2019. Other income mainly comprised the gain on disposal of plant and equipment and other income not directly related to the revenue generated from our day-to-day operations.

FINANCIAL REVIEW

OPERATING EXPENSES

Administrative expenses decreased $4.0 million from $17.5 million in FY2018 to $13.5 million in FY2019 mainly due to reduced staff costs and legal and professional fees.

Other operating expenses increased $61.9 million from $6.2 million in FY2018 to $68.1 million in FY2019.

The table below shows the main expense categories contributing to other operating expenses:

Expenses	FY2019 $'000	FY2018 $'000	Change $'000
Loss on disposal of plant and equipment	–	2,021	(2,021)
Impairment loss on plant and equipment	16,627	1,793	14,834
Foreign exchange loss	131	1,772	(1,641)
Depreciation of plant and equipment	265	468	(203)
Loss on disposal of asset held for sale	–	363	(363)
Amortisation of intangible assets	1	116	(115)
Assets under construction written off	54,974	–	54,974
Plant and equipment written off	18	–	18
Reversal of provision related to assets under construction	(4,179)	–	(4,179)
Other items	256	(286)	542
	68,093	6,247	61,846
Impairment loss on non-trade receivables	–	34	(34)
Write-back of impairment loss on trade receivables	–	(26)	(26)
Write-back of impairment loss on investment in joint venture	–	(9,904)	9,904
Total Other Operating Expenses	**68,093**	**(3,649)**	**71,742**


KS Java Star 2

FINANCE INCOME AND COSTS

Finance income increased from $2.6 million in FY2018 to $3.6 million in FY2019. In FY2019, finance income included a $3.5 million gain on repurchasing $31.0 million face value of secured bonds at par value. In FY2018, finance income included a $2.4 million gain on repurchasing $30.0 million face value of secured bonds at par value. The remaining finance income was mainly derived from interest income on fixed deposits.

Finance costs decreased $9.9 million from $18.9 million in FY2018 to $9.0 million in FY2019 due to a reduction in borrowing costs, transaction costs and repurchasing the secured bonds mentioned above.

SHARE OF RESULTS OF JOINT VENTURES

The Group's share of results from joint ventures improved by $9.2 million from a loss of $9.2 million for FY2018 to $0.0 million for FY2019. The loss in FY2018 was due to losses recorded by KS Distribution Pte Ltd and its subsidiaries. The Group completed the disposal of 100% of the existing issued share capital of KS Resources Pte Ltd which held the 55.35% owned joint venture, KS Distribution Pte Ltd, in FY2018.

LOSS BEFORE TAX

The Group's loss before tax increased by $46.2 million from $57.5 million for FY2018, to a $103.7 million for FY2019.

FINANCIAL REVIEW

Profitability by Business Segment:

	FY2019 $'000	FY2018 $'000	Change $'000
Drilling	(105,797)	(55,785)	(50,012)
Engineering	564	620	(56)
Distribution	–	(9,226)	9,226
Others	1,549	6,934	(5,385)
Consolidated Total	**(103,684)**	**(57,457)**	**(46,227)**

Drilling Business:

The Drilling business recorded a loss before tax of $105.8 million for FY2019, compared to a loss before tax of $55.8 million in FY2018. The losses were higher in FY2019 than FY2018 as FY2019 included significant one-time losses from assets under construction written off and impairment of plant and equipment.

Engineering Business:

The Engineering business recorded a profit before tax of $0.6 million for FY2019 and FY2018.

Distribution Business:

The Company announced on 11 December 2018 that it had completed the divestment of its interest in the Distribution business through the disposal of the entire issued share capital of KS Resources Pte Ltd, a wholly owned subsidiary of the Company that held the Group's shareholding in the joint venture KS Distribution Pte Ltd.

Others Segment:

The segment recorded a profit before tax of $1.5 million in FY2019, compared to a profit before tax of $6.9 million in FY2018. The profit was lower in FY2019 as FY2018 included a one-time gain relating to the sale of KS Resources Pte Ltd and KS Distribution.

TAX (EXPENSE)/CREDIT

The tax expense increased from a credit of $3.5 million in FY2018 to an expense of $0.7 million in FY2019 following an adjustment in FY2018 for over provision of tax in respect of prior years.

LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to Owners of the Company was a loss of $81.2 million for FY2019 which was $39.0 million larger than the loss of $42.2 million reported for FY2018.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

The Group's total non-current assets decreased $106.3 million from $389.7 million as at 31 December 2018 to $283.4 million as at 31 December 2019.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by $42.5 million from $324.1 million as at 31 December 2018 to $281.6 million as at 31 December 2019 mainly due to depreciation charges of $28.7 million, impairment of plant and equipment of $16.6 million and foreign exchange impacts of $2.9 million offset against the acquisition of plant and equipment of $5.7 million, relating to the special periodic survey of a jack-up drilling rig.

KS Discoverer 8

The carrying value of assets under construction decreased by $64.0 million from $64.0 million as at 31 December 2018 to $0.0 million as at 31 December 2019 following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details).

Total current assets increased $2.3 million from $23.9 million as at 31 December 2018 to $26.2 million as at 31 December 2019. The increase in current assets was mainly due to higher contract assets, inventories, trade receivables and other assets, offset by lower cash and cash equivalents.

Contract assets increased $8.6 million from $1.3 million as at 31 December 2018 to $9.9 million as at 31 December 2019 due to higher accrued revenue arising from the new contracts started in the third and fourth quarters of FY2019.

Inventories increased $4.1 million from $0.2 million as at 31 December

FINANCIAL REVIEW

2018 to $4.3 million as at 31 December 2019 mainly due to reclassification of $5.0 million from assets under construction, offset against sales of inventories that amounted to $1.0 million in FY2019.

Trade receivables increased $2.1 million from $1.8 million as at 31 December 2018 to $3.9 million as at 31 December 2019 due to higher revenue recorded before 31 December 2019 than before 31 December 2018 in the Drilling business. Impairment testing has been performed on the trade receivables and no impairment loss was recognised in FY2019.

Other current assets increased $0.6 million from $5.0 million as at 31 December 2018 to $5.6 million as at 31 December 2019.

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

	31.12.2019 $'000	31.12.2018 $'000	Movement $'000
Detailed breakdown:			
Sundry deposits	143	112	31
Withholding tax recoverable	363	615	(252)
Value-added tax receivables	4,030	3,269	761
Other debtors	527	506	21
Advanced payments to suppliers	266	63	203
Prepayments	257	474	(217)
Other Current Assets	**5,586**	**5,039**	**547**

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

Liabilities

Total liabilities decreased $31.3 million, or 7.6%, from $412.5 million as at 31 December 2018 to $381.2 million as at 31 December 2019. This was principally attributable to a $42.0 million decrease in total borrowings (current and non-current), offset by a $10.3 million increase in trade and other payables (current and non-current), and a $0.2 million increase in bank overdraft.

Total borrowings as at 31 December 2018 and 31 December 2019:

	31.12.2019 $'000	31.12.2018 $'000	Movement $'000
Current Borrowings – Secured	10,356	5,786	4,570
Non-current Borrowings – Secured	317,584	364,349	(46,765)
Total Borrowings – Secured	327,940	370,135	(42,195)
Current Borrowings – Unsecured	3,221	5,863	(2,642)
Non-current Borrowings – Unsecured	7,083	4,272	2,811
Total Borrowings – Unsecured	10,304	10,135	(169)
Total Borrowings	**338,244**	**380,270**	**(42,026)**

KS Discoverer 4

Total borrowings decreased by $42.0 million from $380.2 million as at 31 December 2018 to $338.2 million as at 31 December 2019 due to a $42.2 million decrease in secured borrowings. The decrease in total borrowings was due to the repurchase of secured bonds, a $4.3 million foreign exchange impact as most of the secured bank loans are denominated in a foreign currency, loan repayments of $2.9 million and a decrease of $1.2 million mainly due to reversal of deferred finance costs that were over accrued in prior years offset against a loan from a related party of $0.3 million.

The amount of current borrowings due within the next twelve months increased $1.9 million from $11.6 million as at 31 December 2018 to $13.5 million as at 31 December 2019 mainly due to reclassification of secured bonds from non-current borrowings to current borrowings offset against the reclassification of unsecured loans from current to non-current borrowings after amendments to their repayment schedules.

FINANCIAL REVIEW

The amount of non-current borrowings due after more than one year decreased $43.9 million from $368.6 million as at 31 December 2018 to $324.7 million as at 31 December 2019 mainly due to the secured bond repurchase and reclassification of the remaining secured bonds to current borrowings as described above, offset by the amendments to the repayment schedule mentioned above and the foreign exchange impacts.

During the year, KS Drilling suspended its principal and interest repayments owing (the "loan instalments") to a financial institution on the basis of the correspondence reached with the financial institution to suspend such loan instalments through 31 July 2020. The loan instalments suspended during the year amounted to $4,045,000.

Within current liabilities, trade and other payables increased $2.2 million from $23.8 million as at 31 December 2018 to $26.0 million as at 31 December 2019. The increase was mainly due to a $4.5 million increase in trade creditors arising from the new contracts started in the third and fourth quarters of FY2019 and a special periodic survey of a jack-up drilling rig as mentioned above, a $0.5 million increase in withholding tax payable, and a $0.4 million increase in sundry creditors, offset by a reduction in accrued operating expenses of $2.8 million and accrued interest expenses of $0.5 million.

Within non-current liabilities, trade and other payables increased $8.2 million from $0.6 million as at 31 December 2018 to $8.8 million as at 31 December 2019 mainly due to an $8.1 million increase in accrued interest. The increase in accrued interest was mainly due to amendments in the loan agreements leading to a reclassification from current to non-current liabilities.

Following the termination of the rig construction contracts in FY2019, the Group ceases to have capital commitments of $258.2 million and $230.8 million for assets under construction, as previously reported.

Capital Structure of the Group:

	31.12.2019 $'000	31.12.2018 $'000	Movement $'000
Current Borrowings – Secured	10,356	5,786	4,570
Current Borrowings – Unsecured	3,221	5,863	(2,642)
Non-current Borrowings – Secured	317,584	364,349	(46,765)
Non-current Borrowings – Unsecured	7,083	4,272	2,811
Consolidated Total Borrowings	338,244	380,270	(42,026)
Less: Cash and Cash Equivalents	(1,202)	12,086	(13,288)
Consolidated Net Borrowings	339,446	368,184	(28,738)
Shareholders' Equity	(59,994)	(10,296)	(49,698)
Non-controlling Interests	(11,604)	11,449	(23,053)
Total Equity	(71,598)	1,153	(72,751)
Net Gearing (Debt/Equity)	(4.74)	319.33	

Going Concern

As at 31 December 2019, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $20.3 million and $9.2 million respectively. As at 31 December 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $18.3 million and $2.5 million respectively.

In addition, as at 31 December 2019, the Group and Company were in a net liability position (total liabilities exceeded total assets) of $71.6 million and $27.2 million respectively.

The Board of Directors ("the Board") believes the Group will continue as a going concern and the financial statements for the 12-months ended 31 December 2019 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the Group's operating activities.

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing contracts and prospective contracts. The operating cash flow forecast is derived from the operations cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management. The Group plans to continue to negotiate with the financial institution to restructure the bank loans, including extending the repayment of loan instalments beyond 31 July 2020 and at least for another twelve months from the date of the statement of financial position. The fixed rate secured bonds with carrying value, including interest, of $5,322,000 are due for repayment on 8 December 2020. The Group plans to extend settlement of the bonds to 8 December 2021 subject to higher redemption rate by the Company. The Group is also looking to divest any assets to improve the Group's financial position when opportunities arise.

FINANCIAL REVIEW

The Board's opinion is the Company's securities should not be suspended pursuant to Listing Rule 1303(3). The Board confirms that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner as to the best of their knowledge, all material disclosures have been provided for trading of the Company's shares to continue.

STATEMENT OF CASH FLOWS REVIEW

As at 31 December 2019, cash and cash equivalents less the bank overdraft amounted to negative $1.2 million (31 December 2018: positive $12.1 million), of which unpledged cash and cash equivalents amounted to negative $1.5 million (31 December 2018: positive $10.0 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $7.6 million for the year ended 31 December 2019. The net cash outflow from operating activities comprised a cash inflow of $1.4 million arising due to operating profit before changes in working capital; a cash outflow of $8.8 million arising due to changes in working capital; and a cash outflow of $0.2 million arising due to income taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an outflow of $1.2 million for the year ended 31 December 2019. This was mainly due to the acquisition of plant and equipment which incurred cash outflow of $4.7 million; offset with the refund of deposit paid of $2.7 million, proceeds from disposal of plant and equipment of $0.7 million and the interest received of $0.1 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an outflow of $2.8 million for the year ended 31 December 2019. This was mainly due to the repayment of bank loans during FY2019 of $2.8 million, the interest paid during FY2019 of $1.9 million, the repayment of related party loans of $0.1 million and the payment of transaction costs of bank loans of $0.1 million; offset with a reduction of deposits pledged which generated a cash inflow of $1.8 million and proceeds from a loan from related party of $0.3 million.

FINANCIAL **HIGHLIGHTS**

	2019	2018	2017 Restated*	2016	2015
FOR THE YEAR ($'000)					
Revenue	32,276	51,449	47,144	35,091	91,951
Gross Loss	(17,296)	(18,116)	(19,521)	(29,209)	(39,714)
Gross Profit excluding rig depreciation	11,364	11,174	7,373	1,978	20,161
EBITDA (defined below)	5,206	(5,531)	27,812	(26,343)	(12,734)
Earning Before Interest and Tax ("EBIT")	(94,686)	(38,541)	(6,412)	(108,768)	(241,242)
Loss after Tax	(104,418)	(53,939)	(24,559)	(126,318)	(260,432)
Loss attributable to owners of the Company	(81,237)	(42,180)	(18,295)	(107,487)	(229,642)
Operating Cash (Outflow)/Inflow	(7,593)	(576)	(9,634)	(13,399)	19,954
Capital Expenditure	6,089	924	2,407	1,319	9,166
AT YEAR END ($'000)					
Current assets	26,201	23,892	42,290	36,671	61,785
Non-current assets	283,428	389,722	454,109	529,416	608,203
Total assets	309,629	413,614	496,399	566,087	669,988
Current liabilities	46,489	42,226	44,740	124,868	411,637
Non-current liabilities	334,738	370,235	399,337	354,172	47,577
Total liabilities	381,227	412,461	444,077	479,040	459,214
Net (liabilities)/assets	(71,598)	1,153	52,322	87,047	210,774
Net tangible (liabilities)/assets	(71,598)	1,152	52,205	86,727	209,527
Equity attributable to owners of the Company	(59,994)	(10,296)	30,527	56,976	162,210
Cash and cash equivalents	(1,202)	12,086	8,455	5,320	19,422
KEY RATIOS					
Gross Profit Margin excluding rig depreciation (%)	35.2%	21.7%	15.6%	5.6%	21.9%
EBITDA Margin (%)	16.1%	-10.8%	59.0%	-75.1%	-13.8%
EBIT Margin (%)	-293.4%	-74.9%	-13.6%	-310.0%	-262.4%
Net Profit Margin (%)	-323.5%	-104.8%	-52.1%	-360.0%	-283.2%
Current Ratio (times)	0.56	0.57	0.95	0.29	0.15
Net Debt to Equity Ratio (times)	(4.7)	319.3	7.6	4.9	1.7
Net Assets Value Per Share (cents/share)	(4.6)	(2.0)	5.9	11.1	31.5

* The Group has now ceased reclassifying rig depreciation and direct rig costs from "cost of sales" to "other operating expenses" during off-charter periods

EBITDA is defined as EBIT excluding depreciation, amortisation and impairment charges and any profit or loss on disposal of non current assets including the Group's share of EBITDA recorded in joint ventures and associated companies.

BOARD OF **DIRECTORS**

MR KRIS WILUAN

Chairman and Chief Executive Officer

MR KRIS WILUAN is the Chairman and Chief Executive Officer of the Company. He is also a member of the Nominating Committee of the Company.

He is also the founder of the Citramas Group, a diversified group of companies that he started in 1980, which now have workforce of more than 3,000 employees in Batam. The Citramas Group's business activities include oilfield equipment manufacturing, shipping and logistics, infrastructure development comprising of industrial estate, digital park and ferry terminal, the leisure business including marina, golf course and resorts, studio for animation and film production.

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 Wiluan was awarded "Asia's Most Influential Cover Personalities Awards" by Fortune Times in 2015.

MR RICHARD JAMES WILUAN

Executive Director and Chief Executive Officer of KSDR

MR RICHARD JAMES WILUAN was appointed as Executive Director of the Company on 1 May 2014. He is also a Director and the Chief Executive Officer ("**CEO**") of KS Drilling Pte Ltd ("**KSDR**"), the principal subsidiary of KS Energy Ltd ("**KS Energy**"), since March 2019. He is responsible for leading the development and execution of KSDR's long and short-term 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 Richard James Wiluan was appointed as the Executive Director of KS Distribution Pte Ltd in August 2011 and re-designated to Non-Executive Director to continue serving until 2018.

Mr Richard James Wiluan was the President Director of Indonesian public-listed PT Citra Tubindo Tbk from July 2016 to January 2020 – a manufacturer of tubular products for the oil and gas industry whose shares are quoted on the Jakarta and Surabaya Stock Exchange.

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

MR SAMUEL PAUL OLIVER CAREW-JONES

Executive Director and Group Chief Financial Officer

MR SAMUEL PAUL OLIVER CAREW-JONES was appointed as Executive Director of the Company on 15 August 2018. He has been with KS Energy since 2009 and was our Director of Treasury prior to his appointment as Group Chief Financial Officer in October 2012.

Mr Carew-Jones is responsible for overseeing the accounting and finance matters of the Company. 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.

BOARD OF DIRECTORS

MR SOH GIM TEIK
Lead Independent Director

MR SOH GIM TEIK was appointed as an Independent Director and subsequently the Lead Independent Director of the Company on 1 May 2015 and 27 April 2017, respectively. He is also the Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nominating committees of the Company.

Mr Soh advises corporations through his firm, Finix Corporate Advisory LLP, and has extensive experience in corporate governance, finance and strategic management.

Mr Soh is a member of the Institute of Singapore Chartered Accountants (ISCA) and a Fellow of the Singapore Institute of Directors (SID). Presently, he is a board member of the SID and serves in its Governing Council as the Audit Committee Chairman. He was also a past Best CFO of the Year awardee at the Singapore Corporate Awards.

Besides serving as an independent director on the boards of SGX listed companies, he is also a director and audit committee chairperson or member in a number of charitable and non-profit organisations.

Mr Soh graduated from the National University of Singapore in 1978 with a Bachelor of Accountancy Degree.

MR LAWRENCE STEPHEN BASAPA
Independent Director

MR LAWRENCE STEPHEN BASAPA was appointed as Independent Director of the Company on 1 June 2013. He is also the Chairman of Nominating Committee and a member of the Audit and Risk Management and Remuneration committees of the Company.

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 also is a trustee of three property-based estates in Singapore and has personal interests in horticulture and property in Thailand.

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
Independent Director

MR CHEW CHOON SOO was appointed as Independent Director on 1 November 2014. He is also the Chairman of Remuneration Committee and a member of Audit and Risk Management and Nominating committees 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

MS DIANA LENG

Chief Financial Officer ("CFO") of KS Drilling Pte Ltd

Ms Diana Leng has been with KS Energy since 2007. Prior to her appointment as CFO and Director of KSDR in 2010, Ms Leng was the Director of Treasury of KS Energy. Ms Leng has over 18 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 in 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 NICHOLAS LAURENT FOURNIER

Chief Operating Officer ("COO") of KS Drilling Pte Ltd

Mr Fournier was appointed as the COO of 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 20 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 to 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.

MR JUMEIDI DIRWAN ALEXANDER

Director, Special Projects & Business Development of KS Drilling Pte Ltd

Mr Alexander was appointed as Director, Special Projects & Business Development of KSDR in March 2019.

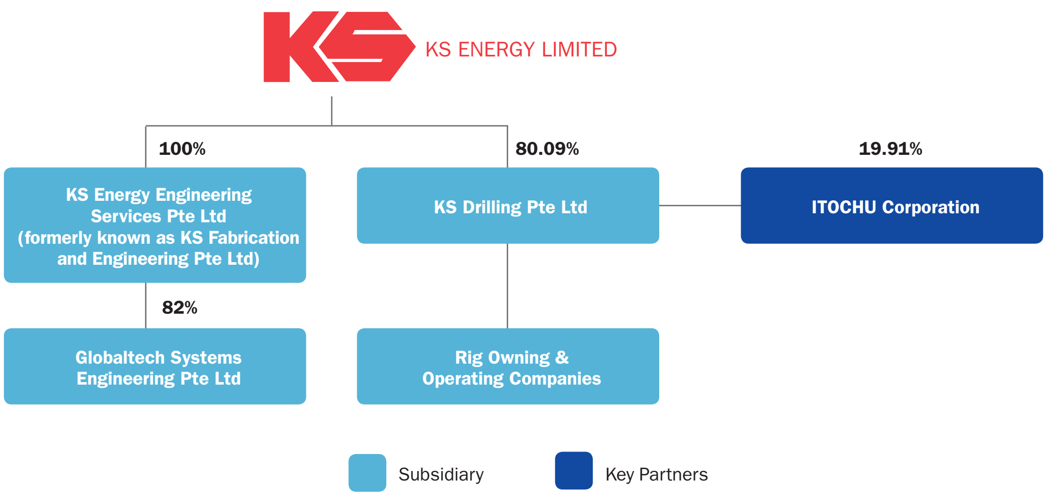
He advises the Board for strategic projects to enable further growth of the Company. He also advises the Board on drilling business related matters and potential new frontiers for the Company.

Mr Alexander served as CEO of KSDR since September 2013 until January 2019. He has been in the drilling industry for over 20 years with a track record of successes in drilling related businesses. He started his career as a Trainee Engineer with Transocean/Schlumberger Sedco Forex in 1996 and had been assigned in various countries in Southeast Asia, Australia, West Africa, North Africa and Middle East with Transocean, Schlumberger, Premium Drilling and Vantage Drilling in operations and management positions.

Mr Alexander graduated from the Institut 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.

KS ENERGY GROUP'S **GLOBAL NETWORK**

KS ENERGY **GROUP STRUCTURE**



KS DRILLING **OFFICES**

SINGAPORE
KS DRILLING PTE. LTD.
133 New Bridge Road
#17-10 Chinatown Point
Singapore 059413
Tel: +65 6577 4600
Fax: +65 6577 4619
www.ksdrilling.com

INDONESIA
PT. ATLANTIC OILFIELD SERVICES/PT. PETRO PAPUA ENERGI
World Trade Center 5
Wisma Metropolitan
11th Floor
Jl. Jend. Sudirman Kav. 29-31
Jakarta 12920 Indonesia
Tel: +62 21 525 6242/6353
Fax: +62 21 525 4327/0308

BATAM, INDONESIA
PT. PETRO PAPUA ENERGI
Komp. Citranusa Niaga
Jl. Mas Surya Negara II Kaw.
Industri Terpadu Blok A2 No. 2
Baru Besar, Nongsa
Kota Batam Kepulauan Riau
Tel: +62 778 711778
Fax: +62 778 711322

EGYPT
KS DRILLING EGYPT INC.
9B, 199 degla St, Maadi,
11341 Cairo, Egypt
Tel: +202 251 66380/251 77045
Fax: +20 251 66386

VIETNAM
KS DRILLING OPERATING COMPANY LTD.
Suite 420, 4th Floor,
Petro Vietnam Towers
8 Hoang Dieu Street,
Ward 1, Vung Tau
Ba Ria-Vung Tau Province,
Vietnam
Tel: +84 254 3815358/3815335
Fax: +84 254 3575580

KS ENERGY ENGINEERING SERVICES OFFICE SINGAPORE
GLOBALTECH SYSTEMS ENGINEERING PTE. LTD.
1002 Jalan Bukit Merah
#6-10 Singapore 159456
Tel: +65 6741 1848

CORPORATE **DATA**

KS Java Star 2

BOARD OF DIRECTORS

Executive:

KRIS WILUAN
(Chairman and Chief Executive Officer)
RICHARD JAMES WILUAN
SAMUEL PAUL OLIVER CAREW-JONES

Non-Executive and Independent:

SOH GIM TEIK
(Lead Independent Director)
LAWRENCE STEPHEN BASAPA
CHEW CHOON SOO

AUDIT & RISK MANAGEMENT COMMITTEE

SOH GIM TEIK *(Chairman)*
LAWRENCE STEPHEN BASAPA
CHEW CHOON SOO

NOMINATING COMMITTEE

LAWRENCE STEPHEN BASAPA
(Chairman)
KRIS WILUAN
SOH GIM TEIK
CHEW CHOON SOO

REMUNERATION COMMITEE

CHEW CHOON SOO *(Chairman)*
SOH GIM TEIK
LAWRENCE STEPHEN BASAPA

JOINT COMPANY SECRETARIES

MARILYN TAN LAY HONG
CHO FORM PO (KEVIN)

REGISTERED OFFICE

133 New Bridge Road,
#21-01 Chinatown Point,
Singapore 059413
Tel: + 65 6577 4600
Fax: + 65 6577 4619
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: Kenny Tan Choon Wah
Year of appointment: 2015

Principal Bankers

Oversea-Chinese Banking Corporation Limited
PT Bank Mandiri (Persero) Tbk

CORPORATE GOVERNANCE **STATEMENT**

KS Energy Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to setting and maintaining high standards of corporate governance in conducting the Group's business and believes that strong corporate transparency, together with sound corporate policies, business practices and internal controls enables the Company to safeguard its assets and interests while strives to achieve its objectives and attain sustainable growth and value for shareholders. Corporate governance practices are in line with the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore on 6 August 2018 (the "**Code**") and where there are variations to the Code, explanations are provided.

In addition to the Code, the Company has also adopted the Board Code of Conduct and Ethics, Terms of Reference of Board of Directors and Board Diversity Policy as the Board is also committed to achieve high level of professionalism, integrity, fairness, effective communications on its role, standards of conduct in the discharge of their office. The Board of Directors (the "**Board**") recognises that a diverse Board is an essential element in supporting the attainment of its strategic objectives and its sustainable development by enhancing the decision-making process and quality of its performance through their perspectives derived from various aspects such as skills, knowledge, experience and etc.

BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The Board has the duty to protect and enhance the long-term value of the Company and achieve sustainable growth for 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.

As well as its fiduciary duties under the law, the Code and its Terms of Reference, the principal functions of the Board include:

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

b) Identifying key stakeholder groups and recognising that their perceptions affect the Group's reputation;

c) Providing entrepreneurial leadership, approving corporate policies and strategies to ensure that sufficient financial and human resource are available for the Group to achieve its objectives;

d) Establishing goals for management, monitoring and reviewing management's performance against such goals and reviewing the operational and financial performance of the Group;

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

CORPORATE GOVERNANCE STATEMENT

f) Reviewing and approving annual budgets, financial plans and key operational matters, including major acquisitions, divestments and funding and investment proposals;

g) Approving the release of the financial results announcements and material transaction announcements to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on a timely basis;

h) Approving the appointments and re-appointments of directors based on the recommendations of the Nominating Committee ("**NC**") and appointments of senior management or key management personnel as well as evaluating and reviewing the directors' performance and remuneration packages at the recommendations of the Remuneration Committee ("**RC**");

i) Assuming responsibility for the corporate governance framework of the Group; and

j) Considering sustainability issues such as environmental, social and governance factors as part of its strategic formulation.

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, ARMC, NC and RC (collectively, the "**Board Committees**"). The Board Committees have specific functions clearly enumerated in their respective Terms of References setting out their compositions, authorities and duties and to report and make recommendations to the Board on matters under their purview.

The Company has in place, a delegation of authority matrix ("**DOA**") setting out the procedures and levels of authorisation required for specified transactions, approval limits for operating and capital expenditure as well as acquisition and disposal of assets and investment. Under the DOA, certain transactions are specifically reserved for the approval of the Board, such as transactions of material and price sensitive nature, major acquisitions, divestments, funding and investment proposals of the Group.

The Board and Board Committees meet regularly to discuss strategy, operational matters and governance issues. Board and Board Committees' meetings are scheduled in advance in consultation with the Directors to facilitate planning. The non-executive directors meet separately at least once a year without any executives present. The Board holds approximately four scheduled meetings each year and may also convene ad-hoc meetings where necessary to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with Board and Board Committees are achieved through electronic means and circulation of written resolutions. The Company's Constitution (the "**Constitution**") provides 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. Board and Board Committees meet as and when required to exchange views outside the formal environment of Board meetings.

CORPORATE GOVERNANCE STATEMENT

The attendance of the Directors at meetings of the Board, Board Committees and General Meetings as well as the frequency of such meetings held during the year ended 31 December 2019 ("**FY2019**") are set out in the table below:

Name of Director	Board	ARMC	NC	RC	EGM	AGM
Mr Kris Wiluan	6	N/A	1	N/A	1	1
Mr Richard James Wiluan	6	*1	N/A	N/A	1	1
Mr Samuel Paul Oliver Carew-Jones	6	*5	N/A	2	1	1
Mr Soh Gim Teik	6	5	1	2	1	1
Mr Lawrence Stephen Basapa	6	5	1	2	1	1
Mr Chew Choon Soo	6	5	1	2	1	1
Total No. of Meeting(s) in FY2019	**6**	**5**	**1**	**2**	**1**	**1**

Note:

* Attended as invitees.

Principle 2: Board Composition and Guidance

For the financial year ended 31 December 2019 ("FY2019"), the Board comprised of six Directors, of whom, three were independent.

Name	Date of appointment	Date of last re-election/ re-appointment
Executive Directors		
Mr Kris Wiluan	2 May 2006	26 April 2019
Mr Richard James Wiluan	1 May 2014	27 April 2017
Mr Samuel Paul Oliver Carew-Jones	15 August 2018	26 April 2019
Independent Directors		
Mr Soh Gim Teik	1 May 2015	26 April 2018
Mr Lawrence Stephen Basapa	1 June 2013	26 April 2018
Mr Chew Choon Soo	1 November 2014	26 April 2019

Based on declarations of independence made by each of the Independent Directors, none of them have any relationship with the Company, its related corporations, the Group's 5% shareholders or the officers of the Company that could interfere or be reasonably perceived to interfere with the exercise of their independent judgement with a view to the best interest of the Company. In particular, none of the Independent Directors are, or has been, employed by the Company or any of its related corporations for the current year, or any of the past three financial years, or has an immediate family member who is employed, or has been employed, by the Company or any of its related corporations for the past three financial years, and whose remuneration is determined by the RC of the Company.

CORPORATE GOVERNANCE STATEMENT

For FY2019, the Independent Directors represented half of the Board members and contributed to the Board process by monitoring and reviewing management's performance against the established goals and objectives. The Independent Directors, led by the Lead Independent Director, meets without the presence of Management, and where necessary, the Lead Independent Director will provide feedback to the Chairman. Their views and opinions provide alternate perspectives to the Group's business. When challenging management's proposals or decisions constructively, the Independent Directors bring independent and objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Company does not have any alternate directors.

The size and composition of the Board is reviewed on an ongoing basis to facilitate effective decision making and to ensure alignment of the needs of the Group. As a team, the core competencies of the Board include areas of oil and gas industry knowledge, accounting, finance, business and management experience. The Board, considering the scope and nature of the Group's operations, is of the view that the current size of the Board is considered to be appropriate to provide the balance and diversity of skills, experience and knowledge for effective decision making.

In reviewing the composition of the Board including appointments and/or re-appointments of Directors, the NC will consider the benefits of Board diversity from various aspects such as skills, knowledge, experience, age, gender and educational background. All director appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity and needs on the Board.

The duties and obligations of the Directors, including their responsibilities as fiduciaries and how to deal with conflicts of interest that may arise are clearly set out in their respective letter of appointment issued to them upon appointment.

The Company has orientation programmes for newly appointed Directors to familiarise themselves with the Group's senior management, culture, business activities, strategic directions, policies, corporate governance and best practices as well as their statutory and other duties and responsibilities as Directors. Any new director appointed to the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, will undergo mandatory training in his roles and responsibilities conducted by the Singapore Institute of Directors ("**SID**") as prescribed by the SGX-ST.

All Directors are responsible for their own training needs and may access a training budget set by the Company to ensure that the Directors are updated with the Group's businesses, regulatory and industry-specific environments in which the Group operates. Directors are encouraged to attend professional development courses or seminars to keep themselves abreast of developments on topics relating to corporate, financial, legal and regulatory requirements. During FY2019, Directors and senior Management attended courses and seminars in relation to the SID Audit Committee Seminar; the Singapore Board of Directors Survey 2019; the Singapore Board of Directors Survey 2019; the SGX Seminar – Sustainability Reporting: Progress and Challenges, CFO Innovation Asia Forum and the Singapore Offshore Finance Forum conducted by the Singapore Institute of Directors, the Institute of Singapore Chartered Accountants, CFO Innovation and Marine Money Offshore, respectively.

The Board is also regularly updated on latest key changes to regulatory requirements by the Company's Auditors, lawyers or the Company Secretaries.

CORPORATE GOVERNANCE STATEMENT

Key information regarding the Directors, such as academic and professional qualifications, 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, are disclosed on pages 15 to 17 of this Annual Report. The shareholdings or interests of the Directors in the Company, if any, are set out under the Directors' Statement in this Annual Report.

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

The Chairman and CEO of the Company, Mr Kris Wiluan was appointed to the Board in May 2006. Given there is a strong independent element on the Board that enables the exercise of independent and objective judgment on the corporate affairs of the Group, the Board is of the view that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is based on collective decisions of the Directors without any excessive or unrestricted concentration of power or influence residing in any individual. Furthermore, half of the Board consists of Independent Directors (including a Lead Independent) and all the Board Committees are chaired by Independent Directors.

The Board, with the concurrence of the ARMC and NC, believes that vesting the roles of both Chairman and CEO in the same person, who has vast knowledge in the Group's business provides strong and consistent leadership 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.

Mr Kris 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 inter alia the following:

- establishing operational and strategic policies for the Group;
- setting the meeting agenda of Board meetings in consultation with Directors and the Company Secretary and ensuring that adequate time is available for discussion of all agenda items, in particular, strategic issues;
- leading the Board and encouraging constructive relations within the Board and between the Board and management;
- facilitating the effective contribution of Independent Directors in particular;
- promoting a culture of openness and debate at the Board;
- 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 at least 3 working days prior to the meetings for Directors to be adequately apprised of matters to be discussed at the 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 is reviewed periodically by the NC and his remuneration package is reviewed by the RC.

CORPORATE GOVERNANCE STATEMENT

The contribution and performance of the Chairman and CEO has been reviewed in FY2019. The results of the evaluation forms were collated and tabled for discussion at the NC meeting and noted at the Board meeting, with comparatives from the previous year's results.

Feedback on results of performance evaluation of the Chairman and CEO was reviewed by the NC and based on the review, the Chairman and CEO performed his duties and contributed to the Group effectively for FY2019.

Lead Independent Director ("LID")

The LID of the Company, Mr Soh Gim Teik was appointed to serve in a lead capacity to coordinate the activities of the non-executive directors in circumstances where it would be inappropriate for the Chairman and CEO to serve in such capacity. He is also the principal liaison to address shareholders' concerns where direct contact through normal channels of the Chairman and CEO or Chief Financial Officer ("**CFO**") fail to adequately resolve or for which such contact is inappropriate. He can also facilitate periodic meetings with the Independent Directors on Board matters, when necessary, and provide feedback to the Chairman thereafter. His other specific roles as LID are as follows:

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

b) advise the Chairman and CEO 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.

BOARD COMMITTEES

Principle 4: Board Membership

The Nominating Committee ("**NC**") comprises the following members:

Mr Lawrence Stephen Basapa – Chairman	(Independent Director)
Mr Soh Gim Teik	(Lead Independent Director)
Mr Chew Choon Soo	(Independent Director)
Mr Kris Wiluan	(Executive Director)

The functions of the NC include:

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

b) review Board succession plans for Directors, in particular, the Chairman and CEO;

c) identify, review and recommend candidates for appointment to the Board and Board Committees;

CORPORATE GOVERNANCE STATEMENT

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

e) develop a process for the evaluation of performance of the Board and Board Committees and determine how the Board's performance may be evaluated and proposed objective performance criteria;

f) review the training and professional development programmes for the Board;

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

h) decide whether a Director who has multiple board representation is able to and has been adequately carrying out his duties as a Director, having regard to competing time commitments; and

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

The NC assessed each Independent Director's independence annually based on the criterias set out in the Code and their respective declaration of independence to ascertain if they display a strong element of impartiality. In conducting this assessment, the dimension of tenure of service is also considered as to ensure that the same has not reduced impartiality or lack of fresh insights. The NC is of the view that Mr Soh Gim Teik, Mr Lawrence Stephen Basapa and Mr Chew Choon Soo are independent. The Board having considered the recommendations of the NC, concurred with the NC's assessment. None of the above Independent Directors have served on the Board beyond 9 years from the date of their first appointment.

In selecting potential new directors to the Board, the NC will take into consideration the Board Diversity Policy, current Board size and mix and identify the required skills, experience and competencies necessary to enable the Board to fulfil its responsibilities. Potential candidates are sourced through an extensive network of contacts or where required, external executive search professionals are engaged. These candidates are subject to rigorous reviewed by the NC based on their key attributes, integrity, commitment competencies and ability to carry out his/her duties as a director (in particular where the director has multiple listed company directorships and principal commitments) before recommending the appointments 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 dedicate sufficient time and attention to the affairs of the Company. The NC is of the view that there should be no restriction to the number of board representations of each director as the time commitment for each board membership or principal commitments may vary. The NC will review the number of listed company directorships 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 listed board directorships and principal commitments of the Independent Directors do not hinder them from carrying out their duties as Directors to the Company. The NC is satisfied that sufficient time and attention have been accorded by the Independent Directors to the affairs of the Company. The Board concurred with the NC's views.

CORPORATE GOVERNANCE STATEMENT

In accordance with the provisions of the Company's Constitution, one-third of the Directors shall retire from office by rotation at least once every three years at the Company's Annual General Meeting ("**AGM**"). The retiring Directors are eligible to offer themselves for re-election. New Directors appointed during the year shall retire and submit themselves for re-election at the next AGM immediately following their appointment.

The NC recommended the re-election of the following Directors, who are retiring under Article 91 of the Company's Constitution at the forthcoming AGM, having reviewed and considered their attendance, participation and contributions toward the business and operations of the Company:

1) Mr Richard James Wiluan; and

2) Mr Lawrence Stephen Basapa.

The Board has accepted the NC's nominations and recommendations of the above retiring Directors, who have given their consents for re-election at the forthcoming AGM.

Additional information on Directors nominated for re-election including information required under Appendix 7.4.1 of the Listing Manual of the SGX-ST can be found on pages 29 to 34.

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his/her performance or re-nomination as Director.

As at the date of this report, there are no Alternate Directors in the Company.

CORPORATE GOVERNANCE STATEMENT

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the director who is seeking re-appointment at the forthcoming Annual General Meeting of the Company, as set out in Appendix 7.4.1 the Listing Manual of the SGX-ST is set out below:

Name	Richard James Wiluan	Lawrence Stephen Basapa
Date of appointment	1 May 2014	1 June 2013
Date of last re-appointment, if any	27 April 2017	26 April 2018
Age	42	74
Country of principal residence	Singapore	Singapore
The Board's comments on the re-appointment	The Board, having considered the recommendation of the NC and taking into consideration of Mr Richard James Wiluan's overall performance, contributions, capabilities and experiences to assume the responsibilities as Executive Director.	The Board, having considered the recommendation of the NC and taking into consideration of Mr Basapa's overall contributions, experience and performance will continue enhance board deliberation.
Whether the appointment is executive, and if so, the area of responsibility	Executive – Leading the development and execution of KSDR's long and short-term plans in accordance with its strategy.	Non executive
Job title (eg. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer of KS Drilling Pte Ltd, the principal subsidiary of the Company.	Independent Director, Chairman or the Nominating Committee, members of the Audit and Risk Management Committee and Remuneration Committee.
Professional Qualifications	A graduate from University of Nottingham with a BA (Hons) in Economics.	A BA in Economics and Political Science from the University of Singapore and postgraduate studies in management with universities in Boston and San Diego.
Working experience and occupation(s) in the past 10 years	Please refer to Mr Richard James Wiluan's CV in the Board of Directors information on page 15.	Please refer to Mr Basapa's CV in the Board of Directors information on page 16.

CORPORATE GOVERNANCE STATEMENT

Name	Richard James Wiluan	Lawrence Stephen Basapa
Shareholding interest in the listed issuer and its subsidiaries	Please refer to Directors' Statement on pages 51 to 52 and Shareholder's Information on pages 156 to 157 of the Annual Report.	Hold 50,000 Ordinary Shares in the Company
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any part of its principal subsidiaries	Son of Kris Wiluan, the Chairman and Chief Executive Officer and substantial shareholder of the listed issuer	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
	Other principal commitments including directorships	
Past (for the last 5 years)	Refer to Note*(1) on page 34	No
Present	Refer to Note*(2) on page 34	1. KS Energy Limited
	Information required pursuant to Listing Rule 704(7)	
(a) Whether at any time during the last 10 years, an application of a petition under any bankruptcy law of any jurisdiction was filed against a partnership of which he was a partner or ant any time within 2 years from the date he ceased to be a partner?	No	No

CORPORATE GOVERNANCE STATEMENT

Name	Richard James Wiluan	Lawrence Stephen Basapa
(b) Whether at any time during the last 10 years, an application or petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or future industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

CORPORATE GOVERNANCE STATEMENT

Name	Richard James Wiluan	Lawrence Stephen Basapa
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or future industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management or any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

CORPORATE GOVERNANCE STATEMENT

Name	Richard James Wiluan	Lawrence Stephen Basapa
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		No
(i) Any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or future industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	Yes He was interviewed once by Commercial Affairs Department of the Singapore Police Force (CAD) in its investigations into a potential contravention of the provisions, in particular Section 197, of the Securities and Future Act, Cap. 289, in connection with Pacific One Energy Limited, around 8 April 2017. He was released after his interview without requiring bail. This information was previously disclosed in the Company's announcement dated 8 April 2017.	

CORPORATE GOVERNANCE STATEMENT

Name	Richard James Wiluan	Lawrence Stephen Basapa
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

***(1) LIST OF DIRECTORSHIPS FOR PAST 5 YEARS**

1. SSH Corporation Ltd
2. SSH Corporation (PNG) Pte Ltd
3. KS Flow Control Pte Ltd
4. Globaltech Offshore & Marine Pte Ltd
5. PT KSD Indonesia
   (formerly known as PT KS Flow Control)
6. PT Suryasarana Hidupjaya
7. KS Distribution (Vietnam) Company Limited
   (formerly known as SSH (Vietnam) Company Limited)
8. KS Distribution Pte Ltd
9. KS Marinehub Pte Ltd
10. Aqua-Terra Supply Co. Ltd
11. Aqua-Terra Supply (Tianjin) Oilfield Equipment Trading Co. Ltd.
12. KS Distribution (Shanghai) Ltd
13. Oceanic Offshore Engineering Pte Ltd
14. Indo Synergy Pte Ltd
15. KS Distribution (Thailand) Limited
    (formerly known as Deltametal (Thailand) Limited
16. KS Distribution (Malaysia) Sdn Bhd
17. KS Distribution (Aust) Pty Ltd
18. PT AT Oceanic Offshore
19. PT Unimas Motor Wasta
20. PT Dwi Sumber Daya Prawira
21. PT Citra Tubindo Tbk
22. PT Citra Sarana Baja
23. Dallan F.T.Z. Sin Soon Huat International Trade
24. KS Equipment (Shanghai) Ltd
25. Raymonds Supply (Shanghai) International Co. Ltd.
26. Sure Link Transportation Limited
27. PT Sarana Citranusa Kabil
28. PT Hymindo Petromas Utama
29. PT Citra Tubindo (International) Pte Ltd
30. NSCT Premium Tubulars BV
31. NS Connection Technology Inc
32. PT Saf Indousa
33. PT Intancitra Lagomindo

***(2) LIST OF DIRECTORSHIPS AS PRESENT**

1. KS Energy Limited
2. Rija Holdings Limited
3. Pacific One Energy Limited
4. KS Drilling Pte Ltd
5. KS Energy Engineering Services Pte Ltd
   (formerly known as KS Fabrication and Engineering Pte Ltd)
6. PT Atlantic Oilfield Services
7. PT KS Drilling Indonesia
8. PT Java Star Rig
9. PT Sarana Citranusa Kabil
10. PT Citramadya Cargindo
11. Citra Tubindo (International) Pte Ltd
12. NS Connection Technology Pte Ltd
13. Citra Sumit Valind Investments Pte Ltd
14. Vietube Corporation Limited
15. PT Citra Agramasinti Nusantara
16 PT Dwi Sumber Arca Waja
17. PT Citra Tubindo Engineering
18. PT Citramasindah Realtindo
19. PT Haskon Citra Perdana
20. PT Citramas Wisata Nusa
    (formerly known as PT Systran Electronics Zone)
21. PT Tirta Utama Riani Indah
22. PT Taman Nongsa Indah Village
23. PT Taman Resor Internet
24. PT Nongsapura Wahanabahari
25. PT Nongsa Terminal Bahari
26. PT Sarayana Daya Kabil
27. PT Citra Bonang
28. PT Sama Indah
29. PT SAF Indonusa
30. PT Indo Lysaght
31. PT Intancitra Logamindo
32. Nongsa Resorts Pte Ltd

CORPORATE GOVERNANCE STATEMENT

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 areas such as 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. The NC also assessed the contribution and performance of each Director in FY2019.

In line with the guidelines of the Code, annual performance evaluation exercises were also conducted for the Board Committees in FY2019. 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.

The NC appointed an external party to assist the Board and Board Committees in conducting the evaluation and appraisal process for the Board, the Board Committees and the contribution of each Director, to ensure objectivity and transparency in the process.

The results of the completed questionnaires of the Board, the Board Committees and Directors' performance are collated and findings of the performance evaluations are tabled for discussion by the NC and the Board with comparatives from the previous year's results, where applicable.

The aim of the evaluation of the Board and Board Committees is to review the effectiveness of the Board as a whole and each of the Board Committees and to provide an opportunity to obtain constructive feedback from the Directors on whether the Board and 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 the 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.

In discussing the results of the Board performance evaluation for FY2019, 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.

CORPORATE GOVERNANCE STATEMENT

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

a) the Directors' contribution in relation to their skills;

b) the Directors' attendance and participation at Board and Board Committee meetings;

c) the Directors' competing time commitments with multiple board representations; and

d) the independence of the Independent Directors based on the criteria set out in the Code.

The NC is generally satisfied with the overall rating and results of the Board performance evaluation for FY2019 which indicated areas of strengths and areas that could be improved. The NC had discussed the results with Board members who agreed to work on those areas that could be improved.

Feedback from evaluation of the Board Committees were reviewed separately by 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.

Feedback on results of performance evaluation of each Director was reviewed by the NC and based on the review, each Director has contributed to the overall effectiveness of the Board.

Access to Information

The Company recognises the importance of providing the Board with accurate and relevant information on a timely basis. 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. In respect of budgets, any material variance between the projections and actual results would also be disclosed and explained.

The Chairman and CEO sits on the board of the Group's key businesses, KS Drilling Pte Ltd and KS Distribution Pte Ltd (which has been disposed off in December 2018). He is an important link between the Board and the boards of the key businesses. He keeps the Board apprised of key developments affecting the Group as well as any material transactions. The Board has separate and independent access to senior Management and the Company Secretaries. The appointment and removal of the Company Secretaries are a matter reserved for the Board.

The Company Secretaries are responsible for, among other things, ensuring that Board procedures, the Company's Constitution, and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST are complied with. The Company Secretaries also facilitates and acts as a channel of communication to ensure adequate and timely information flow between the Board and Board Committees as well as between and with senior Management.

Where it is required to discharge their duties, the Board may obtain independent professional advice at the Company's expense. The appointment of such independent professional advisor is subject to approval by the Board.

CORPORATE GOVERNANCE STATEMENT

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies
Principle 7: Level and Mix of Remuneration
Principle 8: Disclosure on Remuneration

The Remuneration Committee ("**RC**") comprises the following members:

Mr Chew Choon Soo – Chairman	(Independent Director)
Mr Soh Gim Teik	(Lead Independent Director)
Mr Lawrence Stephen Basapa	(Independent Director)

The functions of the RC includes:

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 and CEO, Executive Directors, key management personnel and any employees related to the Directors of the Company; and

d) review the remuneration of the Non-Executive Directors, taking into account factors such as effort, time spent and responsibilities and that the Non-Executive Directors are not overly-compensated to the extent that their independence may be compromised.

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.

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.

CORPORATE GOVERNANCE STATEMENT

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

	Basic Fee (S$) per annum	Standard number of meeting(s) per annum
Board		
Lead Independent Director	$52,000	
Independent Director	$40,000	4
ARMC		
Chairman	$20,000	
Member	$10,000	5
NC		
Chairman	$10,000	
Member	$5,000	1
RC		
Chairman	$10,000	
Member	$5,000	2

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

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.

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$186,900.00 for FY2019 which is calculated based on a fee reduction for FY2019 as proposed by the independent directors. This recommendation had been endorsed by the Board and will be tabled at the Company's AGM for shareholders' approval.

In FY2019, the RC carried out an annual review of the Chairman and key management personnel's remuneration packages to ensure that their remuneration 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.

CORPORATE GOVERNANCE STATEMENT

The service agreements of the Executive Directors and key management personnel of the Company contains contractual provisions which allow the Company to reclaim incentive components of remuneration from Executive Directors and/or key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

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**"). The Company had not granted any share option or share award pursuant to the Schemes during FY2019. Details of both Schemes are disclosed on pages 53 to 54 of the Directors' Statement.

For FY2019, 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 FY2019. The RC members or Directors did not participate in any decision concerning their own remuneration.

The following table shows a breakdown (in percentage terms) of Directors' remuneration for FY2019, falling within broad bands:

	Breakdown of the Director's remuneration						
	No. Of Directors	**Fee (%)**	**Salary & CPF (%)**	**Bonus & CPF (%)**	**Other Benefits (%)**	**Shares (%)**	**Total (%)**
Above S$250,000 to S$500,000	2						
Mr Kris Wiluan		–	96%	–	4%	–	100%
Mr Samuel Paul Oliver Carew-Jones*(1)		–	95%	–	5%	–	100%
S$250,000 & Below	4						
Mr Richard James Wiluan		15%	85%	–	–	–	100%
Mr Soh Gim Teik		100%	–	–	–	–	100%
Mr Lawrence Stephen Basapa		100%	–	–	–	–	100%
Mr Chew Choon Soo		100%	–	–	–	–	100%

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

CORPORATE GOVERNANCE STATEMENT

The remuneration of the Group's top five (5) key management personnel, who are not directors of the Company for FY2019 falls within the following remuneration bands:

Remuneration Bands	No. of Executives	Fee (%)	Salary & CPF (%)	Bonus & CPF (%)	Other Benefits (%)	Shares (%)	Total (%)
Above S$500,000 to S$750,000	2	–	93%	–	7%	–	100%
Above S$250,000 to S$500,000	3	–	91%	–	9%	–	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 and CEO, Executive Directors 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 top five key management personnel in FY2019 was S$2,111,492 (FY2018: S$2,520,837) which included remuneration paid by KSDR, a subsidiary of the Company, as defined under the Companies Act, Cap. 50.

Save for Mr Kris Wiluan and Mr Richard James Wiluan as disclosed above, none of the employees who are substantial shareholders of the Company, or are immediate family members of a Director or the CEO or a substantial shareholder of the Company received more than S$100,000 in remuneration for the FY2019.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risks and for ensuring that management maintains a sound system of risk management and internal controls with a view to safeguard the Company's assets and shareholders' interest.

During the year, the Board, through the Audit and Risk Management Committee ("**ARMC**"), reviewed the adequacy and effectiveness of the Company's internal controls and risk management systems.

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, prioritisation, 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.

CORPORATE GOVERNANCE STATEMENT

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:

(a) from the CEO, CFO and the respective business unit heads of the Group that as at 31 December 2019, 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) from the CEO and the CFO that as at 31 December 2019, the Group's risk management and internal control systems were adequate and effective.

Opinion on Adequacy and Effectiveness 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 the 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, and risk management systems, were adequate and effective as at 31 December 2019.

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 10: Audit and Risk Management Committee

The ARMC comprises the following members:

Mr Soh Gim Teik – Chairman	(Lead Independent Director)
Mr Lawrence Stephen Basapa	(Independent Director)
Mr Chew Choon Soo	(Independent Director)

The Board is of the view that the ARMC members are appropriately qualified. At least 2 of the ARMC members, including the ARMC Chairman, have recent and relevant accounting and/or related financial management expertise or experience to discharge their responsibilities competently. None of the ARMC members were former partners or directors of the Company's external auditors, KPMG LLP, within the last twelve (12) months or holds any financial interest in the external auditors.

CORPORATE GOVERNANCE STATEMENT

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, compliance and information technology controls and risk management;

c) reviews the quarterly and annual financial statements and related 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 the resignation or dismissal of the auditors;

h) review whistle blowing investigations within the Group and ensure appropriate follow-up actions;

i) reviews potential conflicts of interests;

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;

CORPORATE GOVERNANCE STATEMENT

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 RC on risk weightings to be applied to performance objectives incorporated in executive remuneration;

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

r) reviews risk reports of the Company 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 from time to time).

The Company has in place a Whistle-blowing Policy to provide an accessible channel through which employees and any other persons 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 updated in FY2017. 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. 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 FY2019.

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 FY2019, 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;

CORPORATE GOVERNANCE STATEMENT

(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$305,000 (FY2018: S$368,000) were approved:

Audit fees	S$257,000 (FY2018: S$316,000)
Non-audit fees*(1)	S$48,000 (FY2018: S$52,000)

*(1) Non-audit fees were mainly in respect of corporate tax 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 jointly controlled entities, subsidiaries and associates are disclosed under Notes 14 and 15 of the Notes to the Financial Statements on pages 106 to 116 of the Annual Report.

(viii) In the review of the financial statements, the ARMC has discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the ARMC:

Significant Matters	**How the ARMC reviewed these matters and what decisions were made**
Going concern assumption	The ARMC considered the basis of assessment of the continuing use of the going concern assumption for the preparation of the financial statements, specifically looking at operating cash flow projections and upcoming loan repayments. The ARMC reviewed the reasonableness of cash flow forecasts and assessed the current status for each material component, together with alternative plans.
Impairment test of property, plant and equipment – rigs	The ARMC considered the approach and methodology applied to the valuation model in assessing the valuation of cash generating units ("**CGU**"). The ARMC reviewed the reasonableness of cash flow forecasts, long-term growth rate and discount rate used in the valuation model.

CORPORATE GOVERNANCE STATEMENT

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

The external auditors and/or the CFO will keep the ARMC abreast of changes to accounting standards and issues, if any, which have a direct impact on the financial statements through updates and/or reports from time to time, where applicable or relevant. In addition, the ARMC is entitled to seek clarification from Management, the external auditors and/or internal auditor or seek independent professional advice, or attend relevant seminars at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

Internal Audit

The Company engaged an independent audit firm, BDO LLP as its internal auditors to support its in-house internal audit team. All internal audit reports will be submitted to the ARMC directly for review before submitting the final reports to the Board for approval, on quarterly basis. 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 and effectiveness of the internal auditors to ensure that they are sufficiently resourced and able to perform their function effectively and objectively.

For FY2019, the ARMC was satisfied that the resources and experience of BDO LLP, the internal audit engagement partners and their teams assigned to the internal audit of the Group were adequate to meet their internal audit obligations. The internal auditor is required to apply and has confirmed that the standards applied meet the equivalent of the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholders Rights and conduct of general meetings
Principle 12: Engagement with Shareholders
Principle 13: Engagement with Stakeholders

The Company strives for timeliness and transparency in its disclosures to shareholders and the public and does not practice selective disclosure so as to facilitate the exercise of ownership rights of the shareholders. 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 and full year 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 http://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.

The Board has also taken steps to solicit and understand the views of the shareholders through general meetings. At general meetings of the Company, shareholders are given the opportunity to participate effectively by expressing their views and asking 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. Resolutions passed at the general meetings are voted by poll. The Company currently employs paper polling as electronic polling is not practical and cost-effective. rules, including the voting procedures, that govern the shareholders' general meetings are communicated to shareholders.

All shareholders of the Company are encouraged to attend the general meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

All Directors, if available, and the chairman of each Board Committee are present at the shareholders' meetings to address questions which are within the purview of the Board Committee. 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.

Minutes of the AGM will be made available to shareholders upon their request. The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Board and management. Although the Company does not have an investor relations policy, other than communicating with shareholders at general meetings, the shareholders may contact the Company's CFO on any investor relations matters through various means set out in the corporate website. The contact details are as follows:

Tel	:	+65 6577 4600
Fax	:	+65 6577 4619
Email	:	mail@ksenergy.com.sg

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

For FY2019, the Board did not recommend payment of dividends, as the Company is in a loss position.

CORPORATE GOVERNANCE STATEMENT

SECURITIES TRANSACTIONS

The Company has developed a practice governing dealings in the securities of the Company by directors, management and staff. All directors, management and staff of the Company are reminded, on a quarterly basis, that it is an offence under the laws of Singapore to be dealing in the securities of the Company while in possession of material unpublished price-sensitive information. They are also, on the same quarterly basis, notified to refrain from dealing in the securities of the Company during the period commencing two (2) weeks before the announcement of the Company's financial statements for the first and third quarter of its financial year, and one (1) 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.

The directors, management and staff of the Company are discouraged from dealing in the securities of the Company on short term considerations and reminded that they should, at all times, be mindful of the laws of Singapore prohibiting insider trading.

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

MATERIAL CONTRACTS

Other than as disclosed below and in Note 25 of Financial Statements on pages 134 to 135, there were no other material contracts entered into by the Company and its subsidiaries involving the interest of the Executive Chairman and 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 manage and capture any transactions with interested persons and report them in a timely manner to the ARMC. Business units are required to be familiar with the IPT mandate as well as the internal policy and procedure, and report interested person transactions to the company for review and approval by the ARMC. The Group maintains a register of the company's interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

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.

Interested person transactions are reviewed by BDO LLP, the independent internal audit firm engaged by the Company. Their internal audit reports are submitted to the ARMC directly for review on a quarterly basis.

The ARMC and the Board have 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 set out in the Appendix to the Notice of AGM.

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST) are as follows:

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)
• Bond purchase from Pacific One Energy Limited through issuance and allotment of new ordinary shares approved by shareholders at the EGM held on 18 April 2019	SGD 21,500,000	
• Bond purchase from Ms. Hedy Wiluan through issuance and allotment of new ordinary shares approved by shareholders at the EGM held on 18 April 2019	SGD 9,500,000	
• Tenancy Agreement with PT Kabil Indonusa Estate for Warehouse and open yard rental (announced on 12 November 2019 pursuant to Rule 916(1) of the Listing Manual. The tenancy agreement and the tenancy thereunder will not require the approval of the shareholders of the Company as it is for a period of not more than three (3) years and is supported by an independent valuation report.)	SGD 165,651	
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Financing (2)		SGD 3,907,079
• Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group (2)		SGD 2,617,537
• The net amount of provision of management, technical and support services		SGD 1,473,347
• Chartering fees arising in relation to the charter contract announced on 28 June 2019		SGD 2,683,763

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)
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD2,458,831*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of period* (1)	*USD2,061,784*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of period*	*USD312,768*	*USD1,356,819*
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period* (2)		*USD55,222,510*

(1) On 22 January 2016, PT Java Star Rig ("**PT JSR**", a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the "**Additional Loan**"). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 31 December 2019 was US$0.2 million. The Company released an update announcement dated 21 June 2018.

(2) With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 26 April 2019, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the "**Financing**") to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd ("**KS Drilling**"), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 31 December 2019 was US$40.3 million which has been used to finance the acquisition of the jack-up rig named "**KS Java Star**" and additional equipment required by the rig. Included in the US$40.3 million balance is US$2.5 million that has been advanced during the current financial year to 31 December 2019.

FINANCIAL **CONTENTS**

51	DIRECTORS' STATEMENT
57	INDEPENDENT AUDITORS' REPORT
60	CONSOLIDATED STATEMENT OF PROFIT OR LOSS
61	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
62	STATEMENTS OF FINANCIAL POSITION
64	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
66	CONSOLIDATED STATEMENT OF CASH FLOWS
68	NOTES TO THE FINANCIAL STATEMENTS
156	SHAREHOLDERS' INFORMATION
158	NOTICE OF ANNUAL GENERAL MEETING
	PROXY FORM

DIRECTORS' STATEMENT

We submit this annual report to the members of the Company, together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 60 to 155 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, 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 (International); 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.

Directors

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

Kris Wiluan
Richard James Wiluan
Samuel Paul Oliver Carew-Jones
Soh Gim Teik
Lawrence Stephen Basapa
Chew Choon Soo

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 interest			Deemed interest		
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 2020**	**Holdings at the beginning of the year**	**Holdings at the end of the year**	**Holdings at 21 January 2020**
KS Energy Limited						
Ordinary shares fully paid						
Kris Wiluan	–	–	–	308,281,662	859,563,713	859,563,713
Richard James Wiluan	–	–	–	308,281,662	859,563,713	859,563,713
Lawrence Stephen Basapa	50,000	50,000	50,000	–	–	–
Samuel Paul Oliver Carew-Jones	1,594,000	1,594,000	1,594,000	–	–	–

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Direct interest Holdings at the beginning of the year	Holdings at the end of the year	Holdings at 21 January 2020	Deemed interest Holdings at the beginning of the year	Holdings at the end of the year	Holdings at 21 January 2020
Secured bonds[#1]						
Kris Wiluan	–	–	–	$21,500,000	–	–
Richard James Wiluan	–	–	–	$21,500,000	–	–
PT Globaltech Systems Engineering						
Kris Wiluan (5% shares)	–	–	–	12,500	12,500	12,500
PT Atlantic Oilfield Services						
Kris Wiluan (4.98% shares)	299,000	299,000	299,000	–	–	–
PT Java Star Rig						
Kris Wiluan (4.9% shares)	–	–	–	49,000	49,000	49,000
PT KS Drilling Indonesia						
Kris Wiluan (51% shares)	–	–	–	510,000	510,000	510,000

#1 Refer to Note 20 to the accompanying financial statements.

By virtue of Section 7 of the Act, Kris 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 statement, 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 at the end of the financial year.

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.

DIRECTORS' STATEMENT

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 ended during 2019 and contemplated the award of fully-paid shares to Participants after performance targets had been met and was targeted at key employees who were in the best position to drive the growth of the Company through superior performance while the Scheme was targeted at employees of the Group in general and was 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 were administered by the Remuneration Committee (the "Committee"), comprising:

Chew Choon Soo (Chairman)	(Independent Director)
Soh Gim Teik	(Lead Independent Director)
Lawrence Stephen Basapa	(Independent Director)

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

(a) During the financial year, the Company did not grant any award. In 2015, the Company granted awards pursuant to the Plan to eligible participants (including the Group's key management personnel). The awards were granted at the closing market price of the Company's shares on 6 March 2015, the award date, which was $0.375. No share awards are granted to the Company's directors, controlling shareholders and their associates. In 2015, the aggregate number of shares comprised in awards vested to the directors and employees of the parent company and its subsidiaries was 2,669,000.

(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.

DIRECTORS' STATEMENT

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.

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.

DIRECTORS' STATEMENT

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee ("ARMC") during the year and at the date of this statement are:

Soh Gim Teik (Chairman)	(Lead Independent Director)
Lawrence Stephen Basapa	(Independent Director)
Chew Choon Soo	(Independent Director)

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

The ARMC held five meetings since the last directors' statement. In performing its functions, the ARMC 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 ARMC 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 ARMC 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 ARMC 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' STATEMENT

Auditors

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

On behalf of the Board of Directors

Kris Wiluan
Director

Soh Gim Teik
Director

1 April 2020

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
KS Energy Limited

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of KS Energy Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 155.

Because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the accompanying financial statements.

Basis for disclaimer of opinion

We draw attention to Note 2.1 to the financial statements which indicates that the financial statements have been prepared by management on a going concern basis. In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation by management. The validity of the going concern assumption depends on the continuing support from the Group's various lenders. We have, however, not been able to satisfy ourselves that such support will be available. In this regard, we draw your attention to the following notes and related matters:

a) Bank loans obligations

Note 20 to the financial statements states that the Group has secured bank loans from a financial institution, with a total carrying amount, including interest of $326,105,000, with $5,432,000, and $320,673,000 classified as "current" and "non-current" respectively. Under the original loan agreements, amended by an amendment and restatement deed dated 18 January 2019, the repayment of monthly loan instalments began from 1 August 2019. As of 31 December 2019, these loan instalments aggregating $4,045,000, comprising principal and interest repayments, have not been settled. The Group continues its discussion with the financial institution to put in place a debt moratorium covering the period from 1 August 2019 to 31 July 2020. As at the date of this report, the Group has not yet reached any agreement with the financial institution for this debt moratorium.

b) Secured bonds

Note 20 to the financial statements states that the Group has secured bonds with a carrying amount, including interest of $5,322,000, which are classified as "current" and are due for repayment on 8 December 2020. As at the date of this report, the Group plans to extend settlement of the bonds to 8 December 2021 subject to higher redemption rate by the Company. The extension of settlement date has yet to be agreed with the bondholders.

INDEPENDENT AUDITORS' REPORT

c) Deficiencies in net working capital and shareholders' equity

Note 2.1 to the financial statements indicates the Group incurred a net loss of $104,418,000 for the year ended 31 December 2019 and, as of that date, the Group's and the Company's current liabilities exceed current assets by $20,288,000 and $9,246,000 respectively. The Group and the Company are also in a net liability position of $71,598,000 and $27,191,000 respectively as at 31 December 2019. Management expects the net working capital and shareholders' equity, both at the Group and the Company, to remain negative for at least the next 12 months as the forecast cashflows of the Group and Company for the same period are insufficient to address the deficiency. As at the date of this report, there is no formalised re-capitalisation plan to improve the working capital and shareholders' equity positions.

It is the intention of the Group to re-negotiate the repayment terms of the debt obligations with the lenders and continue to operate as a going concern. However, we have not been able to obtain sufficient evidence to support the realisation of these intentions.

These conditions set out in (a), (b) and (c) in the preceding paragraphs indicate the existence of multiple uncertainties that are significant to the financial statements as a whole. The financial statements do not include any adjustments that would result from a failure to obtain such support from the lenders.

Responsibilities of management and directors 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 (International), 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Group's and Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the *'Basis for disclaimer of opinion'* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA code.

INDEPENDENT AUDITORS' REPORT

Report on other legal and regulatory requirements

In our opinion, because of the significance of the matter described in the *'Basis for disclaimer of opinion'* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Kenny Tan Choon Wah.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	4	**32,276**	51,449
Cost of sales		**(49,572)**	(69,565)
Gross loss		**(17,296)**	(18,116)
Other income		**654**	106
Administrative expenses		**(13,520)**	(17,545)
Other operating expenses		**(68,093)**	(6,247)
Write-back of impairment on trade receivables		**–**	26
Impairment loss on non-trade receivables		**–**	(34)
Write-back of impairment loss on investment in joint venture		**–**	9,904
Results from operating activities		**(98,255)**	(31,906)
Finance income	5	**3,569**	2,591
Finance costs	5	**(8,998)**	(18,916)
Share of results of joint ventures (net of tax)		**–**	(9,226)
Loss before tax	6	**(103,684)**	(57,457)
Tax (expense)/credit	7	**(734)**	3,518
Loss for the year		**(104,418)**	(53,939)
Loss attributable to:			
Owners of the Company		**(81,237)**	(42,180)
Non-controlling interests		**(23,181)**	(11,759)
Loss for the year		**(104,418)**	(53,939)
Earnings per share:			
Basic earnings and diluted earnings per share (cents)	8	**(7.66)**	(8.18)

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
Loss for the year	**(104,418)**	(53,939)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Defined benefit plan remeasurements	**–**	75
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences – foreign operations	**698**	1,625
Other comprehensive income for the year, net of tax	**698**	1,700
Total comprehensive income for the year	**(103,720)**	(52,239)
Total comprehensive income attributable to:		
Owners of the Company	**(80,667)**	(40,796)
Non-controlling interests	**(23,053)**	(11,443)
Total comprehensive income for the year	**(103,720)**	(52,239)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current assets					
Cash and cash equivalents	9	**2,457**	15,606	**24**	1,079
Amounts due from subsidiaries	10	**–**	–	**311**	171
Trade receivables	11	**3,903**	1,758	**–**	–
Contract assets	4	**9,942**	1,263	**–**	–
Inventories	12	**4,313**	226	**–**	–
Other assets	13	**5,586**	5,039	**31**	98
		26,201	23,892	**366**	1,348
Non-current assets					
Subsidiaries	15	**–**	–	**–**	47,251
Plant and equipment	16	**282,209**	388,487	**1**	21
Intangible assets and goodwill	17	**–**	1	**–**	–
Other assets	13	**671**	679	**–**	–
Deferred tax assets	21	**548**	555	**–**	–
		283,428	389,722	**1**	47,272
Total assets		**309,629**	413,614	**367**	48,620
Equity attributable to owners of the Company					
Share capital	22	**390,942**	359,973	**390,942**	359,973
Equity reserve	23	**18,007**	18,007	**18,007**	18,007
Treasury shares	23	**(26,365)**	(26,365)	**(26,365)**	(26,365)
Foreign currency translation reserve	23	**(6,590)**	(7,160)	**–**	–
Other reserve	23	**(3,750)**	(3,750)	**–**	–
Accumulated losses		**(432,238)**	(351,001)	**(409,775)**	(363,282)
		(59,994)	(10,296)	**(27,191)**	(11,667)
Non-controlling interests		**(11,604)**	11,449	**–**	–
Total equity		**(71,598)**	1,153	**(27,191)**	(11,667)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Current liabilities					
Bank overdraft	9	**3,659**	3,520	**–**	–
Trade and other payables	18	**25,978**	23,840	**2,589**	2,267
Contract liabilities	4	**51**	20	**–**	–
Amounts due to subsidiaries	19	**–**	–	**1,852**	1,589
Provision for current tax		**3,136**	3,197	**–**	–
Financial liabilities	20	**13,577**	11,649	**5,171**	–
Lease liabilities		**88**	–	**–**	–
		46,489	42,226	**9,612**	3,856
Non-current liabilities					
Trade and other payables	18	**8,751**	561	**–**	–
Amounts due to subsidiaries	19	**–**	–	**17,946**	18,180
Financial liabilities	20	**324,667**	368,621	**–**	38,221
Lease liabilities		**309**	–	**–**	–
Deferred tax liabilities	21	**1,011**	1,053	**–**	30
		334,738	370,235	**17,946**	56,431
Total liabilities		**381,227**	412,461	**27,558**	60,287
Total equity and liabilities		**309,629**	413,614	**367**	48,620

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2019

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019	359,973	18,007	(26,365)	(7,160)	(3,750)	(351,001)	(10,296)	11,449	1,153
Total comprehensive income for the year									
Loss for the year	–	–	–	–	–	(81,237)	(81,237)	(23,181)	(104,418)
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	–	–	–	570	–	–	570	128	698
Total other comprehensive income	–	–	–	570	–	–	570	128	698
Total comprehensive income for the year	–	–	–	570	–	(81,237)	(80,667)	(23,053)	(103,720)
Transactions with owners of the Company, recognised directly in equity									
Contributions by owners of the Company									
Issue of ordinary shares (see Note 22)	30,969	–	–	–	–	–	30,969	–	30,969
Total contributions by owners of the Company	30,969	–	–	–	–	–	30,969	–	30,969
At 31 December 2019	390,942	18,007	(26,365)	(6,590)	(3,750)	(432,238)	(59,994)	(11,604)	(71,598)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	359,973	18,007	(26,365)	(8,476)	(3,750)	(308,889)	30,500	21,795	52,295
Total comprehensive income for the year									
Loss for the year	–	–	–	–	–	(42,180)	(42,180)	(11,759)	(53,939)
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	1,316	–	8	1,324	301	1,625
Defined benefit plan remeasurements	–	–	–	–	–	60	60	15	75
Total other comprehensive income	–	–	–	1,316	–	68	1,384	316	1,700
Total comprehensive income for the year	–	–	–	1,316	–	(42,112)	(40,796)	(11,443)	(52,239)
Transactions with owners of the Company, recognised directly in equity									
Contributions by owners of the Company									
Acquisition of a subsidiary	–	–	–	–	–	–	–	688	688
Issuance of shares in subsidiary with non-controlling interests	–	–	–	–	–	–	–	409	409
Total contributions by owners of the Company	–	–	–	–	–	–	–	1,097	1,097
At 31 December 2018	359,973	18,007	(26,365)	(7,160)	(3,750)	(351,001)	(10,296)	11,449	1,153

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

CONSOLIDATED STATEMENT OF
CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Loss before tax		**(103,684)**	(57,457)
Adjustments for:			
Amortisation of intangible assets		**1**	116
Depreciation of plant and equipment		**28,925**	29,758
Impairment loss on plant and equipment		**16,627**	1,793
Write-back of impairment loss on trade receivables		**–**	(26)
(Gain)/Loss on disposal of plant and equipment		**(653)**	2,021
Plant and equipment written off		**18**	–
Assets under construction written off		**54,974**	–
Write-back of impairment loss on investment in joint venture		**–**	(9,904)
Impairment loss on non-trade receivables		**–**	34
Finance income		**(3,569)**	(2,591)
Finance costs		**8,998**	18,916
Loss on disposal of asset held for sale		**–**	363
Share of results of joint ventures, net of tax		**–**	9,226
Unrealised foreign exchange (gain)/loss		**(252)**	390
		1,385	(7,361)
Changes in:			
– inventories		**1,016**	–
– trade receivables		**(2,076)**	5,539
– other assets		**(393)**	6,222
– trade and other payables		**1,296**	(7,778)
– contract assets		**(8,614)**	5,889
– contract liabilities		**31**	(2,748)
Cash used in operating activities		**(7,355)**	(237)
Taxes paid		**(238)**	(339)
Net cash used in operating activities		**(7,593)**	(576)
Cash flows from investing activities			
Refund of deposit paid		**2,693**	–
Interest received		**66**	143
Acquisition of plant and equipment		**(4,721)**	(924)
Proceeds from disposal of plant and equipment		**742**	2,848
Proceeds from sale of asset held for sale		**–**	296
Proceeds from disposal of joint venture together with a subsidiary, net of transaction costs	31	**–**	4,424
Proceeds from issue of new shares by an indirect subsidiary		**–**	409
Acquisition of subsidiary, net of cash acquired	31	**–**	9,041
Net cash (used in)/from investing activities		**(1,220)**	16,237

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from financing activities			
Issuance of new unsecured bonds	31	**–**	35,000
Loan from related parties		**269**	2,380
Repayment of secured bonds, excluding interest	20	**–**	(30,000)
Repayment of bank loans		**(2,821)**	(10,613)
Repayment of loan from related parties		**(100)**	(2,380)
Repayment of lease liabilities		**(3)**	–
Interest paid on borrowings		**(1,853)**	(6,228)
Interest paid on loan from related parties		**(2)**	(39)
Payment of transaction costs of bank loans		**(54)**	(48)
Decrease/(Increase) in deposits pledged		**1,789**	(403)
Net cash used in financing activities		**(2,775)**	(12,331)
Net (decrease)/increase in cash and cash equivalents		**(11,588)**	3,330
Cash and cash equivalents at beginning of the year		**10,005**	6,777
Effect of exchange rate fluctuations on cash held in foreign currencies		**89**	(102)
Cash and cash equivalents at end of the year	9	**(1,494)**	10,005

Significant non-cash transaction

During the year, secured bonds of $31,000,000 was repurchased through the issuance of 794,871,795 new ordinary shares in the capital of the Company (see Note 20).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 1 April 2020.

1 DOMICILE AND ACTIVITIES

KS Energy Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office at 133 New Bridge Road, Chinatown Point, #21-01, Singapore 059413.

The principal activities of the Company are those of investment holding. 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 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The immediate and ultimate holding companies of the Group are Pacific One Energy Limited and Rija Holdings Limited respectively.

2 BASIS OF PREPARATION

2.1 Going concern basis of accounting

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

The Group has recognised a loss after tax of $104,418,000 for the year ended 31 December 2019 and as at that date, the Group's and the Company's current liabilities exceed current assets by $20,288,000 and $9,246,000 respectively, and the Group and Company are in a net liability position of $71,598,000 and $27,191,000 respectively. Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 2019 are prepared on a going concern basis, and this is premised on the Board of Directors' (the "Board") and Management's belief in securing (i) the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, (ii) the sufficiency of cash flows to be generated from the Group's operating activities, (iii) refinancing plans with bondholders, and (iv) asset divestment plans.

(i) Availability of credit facilities

The Group currently has secured bank loans with carrying amount of $326,105,000 owing to a financial institution. During the year, the Group suspended its principal and interest repayments on these bank loans on the basis of its correspondence with the financial institution to suspend such loan instalments through 31 July 2020. The suspended loan instalments sums during the year amount to $4,045,000. The Group plans to continue to negotiate with the financial institution to restructure the bank loans, including extending the repayment of loan instalments beyond 31 July 2020 and at least for another twelve months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2 BASIS OF PREPARATION (CONTINUED)

2.1 Going concern basis of accounting (Continued)

(ii) Cash flows from operating activities

Although the Group expects the overall operating environment to remain challenging, it anticipates to generate positive cash flows from existing contracts and prospective contracts. The operating cash flow forecast is derived from the cash flow forecast – existing and prospective contracts, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(iii) Refinancing plans with bondholders

The fixed rate secured bonds with carrying value, including interest, of $5,322,000 are due for repayment on 8 December 2020. The Group plans to extend settlement of the bonds to 8 December 2021 subject to higher redemption rate by the Company (see Note 20).

(iv) Asset divestment plans

The Group is also looking to divest any assets to improve the Group's financial position when opportunities arise.

In view of the above, the Board and Management believe that the continuing use of the going concern assumption in the preparation of the financial statements remains appropriate. Nevertheless, the Board and Management acknowledge that there remain uncertainties over the ability of the Group to generate the necessary cash flows to meet its debt obligations. These uncertainties include:

- The eventual conclusion and timing of execution of several contracts currently subject to on-going negotiations with the customers; and

- The ability of the Group to have its credit facilities extended beyond 31 July 2020, and have these credit facilities restructured, including reducing loan obligations with one financial institution, due at least for the next twelve months from the reporting date.

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

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2 BASIS OF PREPARATION (CONTINUED)

2.2 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2.6.

2.3 Basis of measurement

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

2.4 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.

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I)s 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 2.1 – going concern basis of accounting.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of 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; and
- Note 16 – useful lives, residual values and assumptions of recoverable amounts relating to plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2 BASIS OF PREPARATION (CONTINUED)

2.5 Use of estimates and judgements (Continued)

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 observable market 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).

Further information around the assumptions made in measuring fair values is included in Note 26 – Financial risk management.

2.6 New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

The application of these SFRS(I)s, amendments to standards and interpretations did not have a material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

2 BASIS OF PREPARATION (CONTINUED)

2.6 New standards and amendments (Continued)

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases office premises and warehouses. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

2 BASIS OF PREPARATION (CONTINUED)

2.6 New standards and amendments (Continued)

As a lessee (Continued)

The Group used a number of practical expedients when applying SFRS(I) 16 to these leases. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

The adoption of SFRS(I) 16 did not have any material impact on 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.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as 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 pre-existing equity interest in the acquire;

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

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 and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and 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 SFRS(I)s.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

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

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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. The Group 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, rather than rights to its assets and obligations for its liabilities.

The Group accounts for its investments in joint ventures using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, 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 to fund the investee's operations or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

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.

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 year, 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

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 foreign currency 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.

3.3 Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost, which includes capitalised borrowing costs, 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment (Continued)

Recognition and measurement (Continued)

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.

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 component 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.

Disposals

Gain or loss arising on disposal of an item of plant and equipment is determined by comparing the net proceeds from disposal with the carrying amount of plant and equipment, and is recognised net within "Other income" or "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, that 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:

– Right-of-use assets	2 to 5 years
– Plant and machinery	3 to 10 years
– Rigs and other related assets	5 to 30 years
– Renovation, furniture and fittings	2 to 10 years
– Office equipment	2 to 8 years
– Motor vehicles	3 to 10 years

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Plant and equipment (Continued)

Depreciation (Continued)

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. The amortisation periods range from 3 to 5 years.

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

3.4 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets (Continued)

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	1 to 3 years
– Other intangible assets	5 years

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

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Group's financial assets are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment (Continued)

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, restricted cash are excluded from cash and cash equivalents.

(vi) 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 of equity. Repurchased shares are classified and presented as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit is presented in non-distributable capital reserve.

3.6 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost, and contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax 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, 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 CGU. 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 testing is performed 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intra-group financial guarantees

Financial guarantees issued by the Company 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 and treated as contingent liabilities until they become probable that the Company will be required to make a payment under the guarantee. 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.

3.8 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.

3.9 Non-current asset held for sale

Non-current asset that is highly probable to be recovered primarily through sale rather than through continuing use, is classified as held for sale. Immediately before classification as held for sale, the asset is remeasured in accordance with the Group's accounting policies. Thereafter, the asset is generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

3.10 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality corporate bonds. For currencies for which there is no deep market in such high quality corporate bonds, the Group uses market yields (at the end of the reporting period) on government bonds with maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Employee benefits (Continued)

Share-based payment transactions

The grant date fair value of equity-settled 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.

3.11 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.

3.12 Revenue

Revenue from rig charters, sale of goods and rendering of services

Revenue from rig charters, sale of goods and rendering of services in the ordinary course of business is recognised when the Group satisfies a performance obligation (“PO”) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (Continued)

Revenue from rig charters, sale of goods and rendering of services (Continued)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Mobilisation fees are not considered separate performance obligations and they are recognised over time following the timing of satisfaction of the PO in rig charter contracts. Incremental cost of mobilisation is capitalised and subsequently amortised on a systematic basis as the Group recognises the related revenue.

Contract revenue

Contract revenue are generally recognised over time as performance obligations are satisfied as work progresses. Progress billings are generated based on the achievement of specified milestone stipulated in the contracts on a monthly basis. Progress billings are usually payable within 30 days.

Revenue is recognised progressively by reference to the stage of completion method, which is typically assessed by reference to the cost incurred relative to total estimated costs (input method) as it commensurates the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they incurred, unless they relate to future performance obligations.

When the period between the satisfaction of a PO and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognise a financing component. In adjusting for financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and the customer at contract inception.

For contracts with variable considerations (i.e. liquidated damages), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur. Therefore, the amount of revenue recognised is adjusted for possibility of delays of the projects and ability to meet key performance indicators stipulated in the contract. The Group reviews the progress of the projects at each reporting date and updates the transaction price accordingly.

If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately on the statement of financial position. The contract assets is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the statement of financial position.

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

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Leases (Continued)

As a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets as part of 'plant and equipment' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Leases (Continued)

Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. 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.

3.14 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- gain or loss on repurchase of bonds; and
- interest expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Finance income and finance costs (Continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.15 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

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 reporting date, 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Tax (Continued)

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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be utilised.

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.

3.16 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.

3.17 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") (the chief operating decision maker) 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*
- *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)

4 REVENUE

	Group	
	2019	**2018**
	$'000	**$'000**
Revenue from contracts with customers		
Chartering revenue	**29,737**	42,065
Rendering of services	**1,501**	8,552
Contract revenue	**964**	727
Sale of goods	**74**	105
	32,276	51,449

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Chartering revenue

Nature of goods or services	Revenue generated from the charter of jack-up and land rigs, including mobilisation fees.
When revenue is recognised	Rig charter income is recognised as services are performed based on the daily rates in accordance with the terms and conditions of the charter agreement. Mobilisation fees included in the rig charter contracts are recognised on a percentage of completion basis over the estimated duration of the related charter contract.
Significant payment terms	Invoices are issued on a monthly basis and are payable mainly within 30 days.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4 REVENUE (CONTINUED)

Rendering of services

Nature of goods or services	Revenue generated from the provision of services to the oil and gas industry, which includes the provision of manpower, maintenance and camp and catering services for the crew.
When revenue is recognised	Revenue from rendering of services is recognised when the related services have been rendered over time since the customer simultaneously receives and consumes the benefits provided by the Group.
Significant payment terms	Invoices are issued on a monthly basis and are payable mainly within 30 days.

Contract revenue

Nature of goods or services	Revenue generated from contract work relating to design engineering, project management and fabrication of systems equipment for industrial applications. These contract work are performed based on specifically negotiated contracts with customers.
When revenue is recognised	Revenue is recognised progressively based on the stage of completion, which is assessed by reference to the cost incurred relative to total estimated costs (input method), which commensurates with the pattern of transfer of control to the customer.
Significant payment terms	Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value of the contract work exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less. Progress billings are issued based on a progress of the work and are payable within 30 days.

Sale of goods

Nature of goods or services	Sale of custom-built system equipment for the marine, offshore oil and gas, petrochemical, refinery and power generation industries.
When revenue is recognised	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices for sales of goods are issued to the customers when the goods are delivered. Payment for these products is due within 30 days.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

4 REVENUE (CONTINUED)

Sale of goods (Continued)

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. There are no costs incurred to fulfil a contract during the year ended 31 December 2019 and 2018.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Drilling		Engineering		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Primary geographical markets						
Singapore	**–**	–	**964**	739	**964**	739
Egypt	**1,494**	4,472	**–**	–	**1,494**	4,472
Pakistan	**–**	339	**–**	–	**–**	339
Vietnam	**22,206**	16,509	**20**	14	**22,226**	16,523
Indonesia	**7,538**	29,297	**3**	–	**7,541**	29,297
Malaysia	**–**	–	**51**	71	**51**	71
Other countries	**–**	–	**–**	8	**–**	8
	31,238	50,617	**1,038**	832	**32,276**	51,449
Major products/ service line						
Chartering revenue	**29,737**	42,065	**–**	–	**29,737**	42,065
Rendering of services	**1,501**	8,552	**–**	–	**1,501**	8,552
Contract revenue	**–**	–	**964**	727	**964**	727
Sale of goods	**–**	–	**74**	105	**74**	105
	31,238	50,617	**1,038**	832	**32,276**	51,449
Timing of revenue recognition						
Products transferred at a point in time	**–**	–	**74**	105	**74**	105
Products and services transferred over time	**31,238**	50,617	**964**	727	**32,202**	51,344
	31,238	50,617	**1,038**	832	**32,276**	51,449

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4 REVENUE (CONTINUED)

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Group	
	2019	**2018**
	$'000	**$'000**
Trade receivables	**3,903**	1,758
Contract assets	**9,942**	1,263
Contract liabilities	**(51)**	(20)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on chartering revenue, rendering of services, contract revenue and sale of goods. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to advances received from customers for sale of goods, rendering of services and chartering revenue.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows.

	Group			
	Contract assets		Contract liabilities	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**20**	2,769
Contract assets at the beginning of the year reclassified to trade receivables	**(1,263)**	(4,375)	**–**	–
Increases due to cash received	**–**	–	**(51)**	(2,024)

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 FINANCE INCOME AND FINANCE COSTS

	Group	
	2019	**2018**
	$'000	**$'000**
Recognised in profit or loss		
Finance income:		
– Interest income on fixed and cash deposits with banks	**65**	144
– Gain on repurchasing secured bonds (see Note 20)	**3,504**	2,447
	3,569	2,591
Finance costs:		
– Interest expense on:		
– Bank loans	**(7,835)**	(13,316)
– Secured bonds	**(1,151)**	(5,560)
– Related party loans	**(7)**	(40)
– Lease liabilities (see Note 29)	**(5)**	–
	(8,998)	(18,916)

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

	Group	
	2019	**2018**
	$'000	**$'000**
– Total interest income on financial assets	**3,569**	2,591
– Total interest expense on financial liabilities	**(8,993)**	(18,916)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

6 LOSS BEFORE TAX

The following items have been charged in arriving at loss before tax for the year:

	Group	
	2019	**2018**
	$'000	**$'000**
Included in other income:		
Gain on disposal of plant and equipment	**653**	–
Included in other operating expenses:		
Impairment loss on plant and equipment (see Note 16)	**(16,627)**	(1,793)
Plant and equipment written off	**(18)**	–
Assets under construction written off (see Note 16)	**(54,974)**	–
Amortisation of intangible assets	**(1)**	(116)
Foreign exchange loss	**(131)**	(1,772)
Loss on disposal of plant and equipment	**–**	(2,021)
Loss on disposal of asset held for sale	**–**	(363)
Reversal of provision related to assets under construction	**4,179**	–
Included in administrative expenses:		
Audit and other attestation fees paid and payable to:		
– auditors of the Company	**(159)**	(229)
– other auditors	**(107)**	(93)
Non-audit fees paid and payable to:		
– auditors of the Company	**(25)**	(33)
– other auditors	**(237)**	(206)
Operating lease expenses (see Note 29)	**(632)**	(632)
Employee benefit expense[a]:		
Included in cost of sales:		
Staff costs	**(8,169)**	(11,777)
	(8,169)	(11,777)
Included in administrative expenses:		
Staff costs	**(9,013)**	(12,235)
Contributions to defined contribution plans	**(239)**	(311)
	(9,252)	(12,546)
	(17,421)	(24,323)
Depreciation expenses[b]:		
Included in cost of sales	**(28,660)**	(29,290)
Included in other operating expenses	**(265)**	(468)
	(28,925)	(29,758)

a Employee benefit expense related to rig operations are charged to cost of sales.

b Depreciation expense related to rigs and other related assets are charged to cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

7 TAX (EXPENSE)/CREDIT

	Group	
	2019	**2018**
	$'000	**$'000**
Tax expense recognised in profit or loss		
Current tax expense		
Current year	**(882)**	(874)
Over provision of tax in respect of prior years	**118**	4,947
	(764)	4,073
Deferred tax expense		
Origination and reversal of temporary differences	**–**	(1,044)
Recognition of tax effect of previously unrecognised losses	**–**	489
Over provision of tax in respect of prior years	**30**	–
	30	(555)
Total tax (expense)/credit	**(734)**	3,518
Reconciliation of effective tax rate		
Loss before tax	**(103,684)**	(57,457)
Share of results of joint ventures (net of tax)	**–**	9,226
Loss before tax excluding share of results of joint ventures	**(103,684)**	(48,231)
Tax calculated using Singapore tax rate of 17% (2018: 17%)	**17,626**	8,199
Effect of different tax rates in other countries	**(7,833)**	(1,323)
Income not subject to tax	**2,127**	2,180
Expenses not deductible for tax purposes	**(7,738)**	(5,873)
Deferred tax assets on tax losses not recognised	**(5,064)**	(5,101)
Over provision of tax in respect of prior years	**148**	4,947
Recognition of tax effect of previously unrecognised losses	**–**	489
	(734)	3,518

The Group is subject to income tax 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. 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 provision for current tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

8 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2019 was based on the loss attributable to ordinary shareholders of $81,237,000 (2018: $42,180,000), and a weighted-average number of ordinary shares outstanding of 1,060,033,951 (2018: 515,601,215), calculated as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Basic earnings and diluted earnings per share is based on:		
(a) Loss attributable to ordinary shareholders	**(81,237)**	(42,180)
(b) Number of ordinary shares in issue at beginning of the year	**515,601,215**	515,601,215
Effect of shares issued in April 2019, representing weighted-average number of ordinary shares	**544,432,736**	–
Number of ordinary shares in issue at end of the year, representing weighted-average number of ordinary shares	**1,060,033,951**	515,601,215
Basic earnings and diluted earnings per share (cents)	**(7.66)**	(8.18)

9 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**2,457**	11,255	**24**	1,079
Fixed deposits with banks	**–**	4,351	**–**	–
Cash and cash equivalents	**2,457**	15,606	**24**	1,079
Bank overdrafts used for cash management purposes	**(3,659)**	(3,520)		
Deposits pledged	**(292)**	(2,081)		
Cash and cash equivalents in the consolidated statement of cash flows	**(1,494)**	10,005		

Fixed deposits with banks were denominated in Indonesian rupiah and United States dollars and at 31 December 2018 had the weighted-average effective interest rate per annum of 3.48%. Interest rates were repriced at intervals of one months.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

10 AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Non-trade	**20,496**	20,610
Impairment losses	**(20,185)**	(20,439)
	311	171

As at the reporting date, the amounts due from subsidiaries, which are mainly denominated in United States dollars, are unsecured, interest-free and repayable on demand. In 2018, an amount of $650,000 bore fixed interest at 1.00% to 3.14% per annum, while the remaining amount of $19,960,000 was interest-free. All amounts were repayable on demand.

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

11 TRADE RECEIVABLES

	Group	
	2019	2018
	$'000	$'000
Trade receivables from third parties	**4,228**	2,061
Impairment losses	**(325)**	(303)
	3,903	1,758

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

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

12 INVENTORIES

	Group	
	2019	2018
	$'000	$'000
Drilling rig spares and replacement parts	**4,313**	226

During 2019, due to the termination of assets under construction contracts (see Note 16), inventories of $5,053,000 were reclassified from plant and equipment to inventories. The inventories were reduced to net realisable value prior to reclassification, and earmarked for sale to raise the necessary working capital needs for the group.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

13 OTHER ASSETS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Deposits	**143**	112	**4**	4
Staff loans and advances	**9**	60	**–**	–
Other receivables	**552**	480	**4**	78
	704	652	**8**	82
Impairment losses				
– Other receivables	**(34)**	(34)	**–**	–
	670	618	**8**	82
Tax recoverables	**4,393**	3,884	**23**	16
Advanced payments to suppliers	**266**	63	**–**	–
Prepayments	**257**	474	**–**	–
Other assets	**5,586**	5,039	**31**	98
Non-current				
Tax recoverables	**671**	679	**–**	–
Other assets	**671**	679	**–**	–

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

14 JOINT VENTURES

The Group does not have any joint venture which is individually material to the Group for both financial years ended 31 December 2019 and 31 December 2018.

The following table summarised the financial results of the joint venture for 2018, adjusted for any differences in accounting policies and fair value adjustments. The table also reconciled the summarised financial results to the carrying amount of the Group's interest in the joint ventures, which were accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

14 JOINT VENTURES (CONTINUED)

	KS Distribution Pte Ltd and its subsidiaries $'000
Group	
2018	
Results	
Revenue	107,314
Depreciation and amortisation	(2,647)
Interest income	72
Other expenses	(38,856)
Loss before tax	(16,400)
Tax expense	(702)
Loss after tax	(17,102)
Other comprehensive income	570
Total comprehensive income	(16,532)
Total comprehensive income attributable to owners of the Company	(16,669)
Group's share of total comprehensive income	(9,226)
Group's share of results of joint ventures (net of tax)	(9,226)
Group's interest in net assets of investee at beginning of the year	38,746
Group's share of total comprehensive income	(9,226)
Disposal of joint venture, net of transaction costs[a]	(39,424)
Write-back of impairment	9,904
Carrying amount of interest in investee at end of the year	–

a In the previous financial year, the Group completed a series of transactions comprising an internal reorganisation, a bond restructuring and a disposal. Pursuant to the internal reorganisation, the Company transferred all the Company's 55.35% shareholding interest held in KS Distribution Pte Ltd ("KSD") to a wholly-owned subsidiary KS Resources Pte Ltd ("KSR") for a consideration of $37,857,000. KSR issued an aggregate of $35,000,000 fixed rate unsecured bonds due 2021. The Company then disposed of 100% of the existing issued share capital of KSR which held the 55.35% of KSD for an aggregate cash consideration of $1,643,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

14 JOINT VENTURES (CONTINUED)

Impairment

The changes in impairment losses in respect of the Group's and Company's investments in joint ventures during the year are as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
At 1 January	–	77,336	–	137,254
Amount written back	–	(9,904)	–	(678)
Disposal	–	(67,432)	–	(136,500)
Others	–	–	–	(76)
At 31 December	–	–	–	–

Group

In the previous financial year, the Group completed the disposal of 100% of the existing issued share capital of KS Resources which held the 55.35% investment in KS Distribution Pte Ltd ("KSD"). Using the agreed consideration, management wrote back $9,904,000 of impairment losses previously recognised, after equity-accounting for additional losses during the year.

Company

In the previous financial year, management adopted the same basis as above to assess the recoverable amounts of the Company's investment in this joint venture. Based on this assessment, management recognised a write-back on impairment loss of $678,000.

Fair value hierarchy

The non-recurring fair value measurement had been categorised as a Level 3 fair value based on the inputs to the valuation technique.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

14 JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows:

Name of joint ventures	Principal activities	Country of incorporation	Ownership interest 2019	Ownership interest 2018
			%	%
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	**–**	–
FODE-AOS Operating Company Limited[3]	Dormant	Nigeria	**40**	40

Impairment (Continued)

1 In the previous financial year, the Group completed a series of transactions comprising an internal reorganisation, a bond restructuring and a disposal. Pursuant to the internal reorganisation, the Company transferred all the Company's 55.35% shareholding interest held in KS Distribution Pte Ltd ("KSD") to a wholly-owned subsidiary KS Resources Pte Ltd ("KSR") for a consideration of $37,857,000. KSR issued an aggregate of $35,000,000 fixed rate unsecured bonds due 2021. The Company then disposed of 100% of the existing issued share capital of KSR which held the 55.35% of KSD for an aggregate cash consideration of $1,643,000.

2 Details of the changes in control and ownership interests of the joint ventures during the financial year are disclosed in Note 31 to the financial statements.

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

A joint venture is considered significant as defined under Rule 718 of 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 account for 20% or more of the Group's consolidated pre-tax profits.

15 SUBSIDIARIES

	Company 2019 $'000	Company 2018 $'000
Equity investments, at cost	**221,409**	225,659
Loans to a subsidiary	**–**	107,356
	221,409	333,015
Less: Impairment losses		
– Equity investments	**(221,409)**	(178,408)
– Loans to a subsidiary	**–**	(107,356)
	(221,409)	(285,764)
	–	47,251

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

15 SUBSIDIARIES (CONTINUED)

The loans to a subsidiary were mainly denominated in United States dollars, were unsecured and interest-free.

Impairment

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

	Company	
	2019	2018
	$'000	$'000
At 1 January	**178,408**	133,076
Impairment losses recognised	**47,251**	45,332
Disposal of a subsidiary	**(4,250)**	–
At 31 December	**221,409**	178,408

The change in impairment losses in respect of loans to a subsidiary during the year is as follows:

	Company	
	2019	**2018**
	$'000	**$'000**
At 1 January	**107,356**	105,208
Disposal of subsidiary	**(105,971)**	–
Translation differences	**(1,385)**	2,148
At 31 December	**–**	107,356

The impairment test on the investment in a subsidiary was triggered because of the poor financial performance of the subsidiary. Management assessed the recoverable amount of the subsidiary to be Nil (2018: $47,251,000), which is based on the equity value of the subsidiary. This equity value is derived from the value-in-use calculations of the subsidiary's fleet of oil rigs (as described in Note 16) (the "enterprise value"). The enterprise value is then adjusted by the net debt (being excess of debt obligations over the cash balances), to arrive at the subsidiary's recoverable amount. Accordingly, the Company recognised an additional impairment loss on investment in the subsidiary of $47,251,000 (2018: $45,332,000) during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

15 SUBSIDIARIES (CONTINUED)

Impairment (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest 2019	2018
			%	%
KS Energy Engineering Services Pte Ltd (formerly known as KS Fabrication and Engineering Pte. Ltd.[1])	Investment holding	Singapore	**100**	100
Subsidiary of KS Energy Engineering Services Pte Ltd				
Globaltech Systems Engineering Pte. Ltd.[1]	Provision of 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
Subsidiary of Globaltech Systems Engineering Pte. Ltd.				
PT Globaltech Systems Engineering	Provision of 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
KS Drilling Pte. Ltd.[1]	Investment holding	Singapore	**80**	80
Subsidiaries of KS Drilling Pte. Ltd.				
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 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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

15 SUBSIDIARIES (CONTINUED)

Impairment (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest 2019	Ownership interest 2018
			%	%
Subsidiaries of KS Drilling Pte. Ltd. (Continued)				
KS Discoverer 3 (HK) Limited[3]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Hong Kong	**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 Discovery (HK) Limited[3]	Investment holding	Hong Kong	**80**	80
Subsidiaries of KS Discovery (HK) Limited				
QIM Ventures Limited[2]	Ownership and leasing of jack up rigs and provision of services to the oil and gas industry	Cyprus	**80**	80
KS Drilling Egypt Inc.[2]	Provision of services for oil and gas industry	Egypt	**80**	80
KS Drilling EMEA Limited[2]	Provision of rig management and support services to the oil and gas industry	Cyprus	**80**	80
Subsidiaries of KS Drilling EMEA Limited				
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
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
KS Drilling Operating Company Ltd[2]	Trading and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

15 SUBSIDIARIES (CONTINUED)

Impairment (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest 2019	Ownership interest 2018
			%	%
KS Rig Invest Pte Ltd[1]	Investment holding	Singapore	**80**	80
Subsidiaries of KS Rig Invest Pte Ltd				
KS Rig Invest One Pte Ltd	Struck-off	Singapore	**–**	80
KS Rig Invest Two Pte Ltd	Struck-off	Singapore	**–**	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**	80
KS Rig Invest Five Ltd	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80
KS Rig Invest Six Ltd	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80
Subsidiary of KS Rig Invest Six Ltd				
KS Investar Corporation	Ownership and leasing of equipment and provision of services to the oil and gas industry	British Virgin Islands	**80**	80
KS Drilling Arabia	Provision of onshore and offshore oil and gas drilling, maintenance and technical support services	Saudi Arabia	**48**	48
PT Atlantic Oilfield Services[2]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**76**	76
PT Petro Papua Energi[2]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**72**	72

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

15 SUBSIDIARIES (CONTINUED)

Impairment (Continued)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Ownership interest 2019	Ownership interest 2018
			%	%
PT KS Drilling Indonesia[2]	Investment holding	Indonesia	**39**	39
Subsidiary of PT KS Drilling Indonesia				
PT Java Star Rig[2]	Ownership and leasing of equipment and provision of services to the oil and gas industry	Indonesia	**37**	37
KS Resources Pte Ltd	Dormant	Singapore	**–**	–
S&E Cumford (Thailand) Ltd	Dormant	Thailand	**100**	100
Atlantic Rotterdam Limited	Provision of rig rental, rig management and support services to the oil and gas industry	Bermuda	**100**	–
Sphinx Frontier Ltd.	Struck-off	British Virgin Islands	**–**	100
Subsidiary of Sphinx Frontier Ltd.				
Atlantic Rotterdam Limited	Provision of rig rental, rig management and support services to the oil and gas industry	Bermuda	**–**	100

1 KPMG LLP, Singapore are the auditors of all significant Singapore-incorporated subsidiaries and KS Rig Invest Three Ltd.
2 Audited by other member firms of KPMG International.
3 Audited by Cheer Link CPA Limited.

The 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

YEAR ENDED 31 DECEMBER 2019

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
2019			
NCI percentage	**20%**	**18%**	
Non-current assets	**299,492**	**72**	**299,564**
Current assets	**24,729**	**1,986**	**26,715**
Non-current liabilities	**(339,350)**	**(40)**	**(339,390)**
Current liabilities	**(32,942)**	**(1,320)**	**(34,262)**
Net (liabilities)/assets	**(48,071)**	**698**	**(47,373)**
Net (liabilities)/assets attributable to NCI	**(12,170)**	**566**	**(11,604)**
Revenue	**31,238**	**1,038**	**32,276**
(Loss)/Income after tax	**(106,565)**	**563**	**(106,002)**
Other comprehensive income	**146**	**(16)**	**130**
Total comprehensive income	**(106,419)**	**547**	**(105,872)**
Attributable to NCI:			
– (Loss)/Income	**(23,282)**	**101**	**(23,181)**
– Other comprehensive income	**128**	**–**	**128**
Total comprehensive income	**(23,154)**	**101**	**(23,053)**
Cash flows used in operating activities	**(6,837)**	**(123)**	**(6,960)**
Cash flows used in investing activities	**(808)**	**(9)**	**(817)**
Cash flows used in financing activities, before dividends to NCI	**(2,591)**	**(103)**	**(2,694)**
Net decrease in cash and cash equivalents	**(10,236)**	**(235)**	**(10,471)**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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
2018			
NCI percentage	20%	18%	
Non-current assets	407,129	17	407,146
Current assets	21,351	1,602	22,953
Non-current liabilities	(331,985)	–	(331,985)
Current liabilities	(38,477)	(1,492)	(39,969)
Net assets	58,018	127	58,145
Net assets attributable to NCI	10,985	464	11,449
Revenue	50,617	832	51,449
Loss after tax	(56,856)	621	(56,235)
Other comprehensive income	2,700	(25)	2,675
Total comprehensive income	(54,156)	596	(53,560)
Attributable to NCI:			
– (Loss)/Income	(11,872)	113	(11,759)
– Other comprehensive income	316	–	316
Total comprehensive income	(11,556)	113	(11,443)
Cash flows from operating activities	2,173	146	2,319
Cash flows from investing activities	11,779	1	11,780
Cash flows (used in)/from financing activities, before dividends to NCI	(11,670)	370	(11,300)
Net increase in cash and cash equivalents	2,282	517	2,799

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

16 PLANT AND EQUIPMENT

	Right-of-use assets $'000	Plant and machinery $'000	Rigs and other related assets $'000	Renovation, furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost							
At 1 January 2018	–	2,567	690,935	2,969	1,113	237	697,821
Additions	–	–	905	4	15	–	924
Disposals	–	–	(11,593)	(4)	–	(163)	(11,760)
Acquisition of subsidiary	–	–	32,291	–	–	–	32,291
Translation differences	–	52	9,586	11	6	4	9,659
At 31 December 2018	–	2,619	722,124	2,980	1,134	78	728,935
At 1 January 2019	**–**	**2,619**	**722,124**	**2,980**	**1,134**	**78**	**728,935**
Additions	**395**	**–**	**5,654**	**25**	**15**	**–**	**6,089**
Disposals	**–**	**–**	**(57,929)**	**(2,629)**	**(885)**	**–**	**(61,443)**
Refund of deposit paid	**–**	**–**	**(2,693)**	**–**	**–**	**–**	**(2,693)**
Reclassification to inventories (see Note 12)	**–**	**–**	**(5,053)**	**–**	**–**	**–**	**(5,053)**
Translation differences	**–**	**(31)**	**(6,069)**	**(13)**	**(6)**	**–**	**(6,119)**
At 31 December 2019	**395**	**2,588**	**656,034**	**363**	**258**	**78**	**659,716**
Accumulated depreciation and impairment losses							
At 1 January 2018	–	1,884	305,771	2,850	1,070	200	311,775
Depreciation charge for the year	–	323	29,290	100	30	15	29,758
Impairment	–	–	1,793	–	–	–	1,793
Disposals	–	–	(6,747)	(4)	–	(140)	(6,891)
Translation differences	–	42	3,952	11	5	3	4,013
At 31 December 2018	–	2,249	334,059	2,957	1,105	78	340,448
At 1 January 2019	**–**	**2,249**	**334,059**	**2,957**	**1,105**	**78**	**340,448**
Depreciation charge for the year	**20**	**220**	**28,661**	**8**	**16**	**–**	**28,925**
Impairment	**–**	**–**	**16,627**	**–**	**–**	**–**	**16,627**
Disposals	**–**	**–**	**(2,749)**	**(2,613)**	**(883)**	**–**	**(6,245)**
Translation differences	**–**	**(29)**	**(2,198)**	**(15)**	**(6)**	**–**	**(2,248)**
At 31 December 2019	**20**	**2,440**	**374,400**	**337**	**232**	**78**	**377,507**
Carrying amounts							
At 1 January 2018	–	683	385,164	119	43	37	386,046
At 31 December 2018	–	370	388,065	23	29	–	388,487
At 31 December 2019	**375**	**148**	**281,634**	**26**	**26**	**–**	**282,209**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

16 PLANT AND EQUIPMENT (CONTINUED)

	Renovation, furniture and fittings $'000	Office equipment $'000	Total $'000
Company			
Cost			
At 1 January 2018	2,420	639	3,059
Additions	–	–	–
At 31 December 2018	2,420	639	3,059
Disposals	(2,420)	(637)	(3,057)
At 31 December 2019	**–**	**2**	**2**
Accumulated depreciation			
At 1 January 2018	2,308	637	2,945
Depreciation charge for the year	96	1	97
Disposals	(4)	–	(4)
At 31 December 2018	2,400	638	3,038
Depreciation charge for the year	6	–	6
Disposals	(2,406)	(637)	(3,043)
At 31 December 2019	**–**	**1**	**1**
Carrying amounts			
At 1 January 2018	112	2	114
At 31 December 2018	20	1	21
At 31 December 2019	**–**	**1**	**1**

Leased office premises and warehouses

During 2019, the Group rented office premises and warehouses with a total carrying amount of $375,000 recognised as right-of-use assets (see Note 29).

Assets under construction

In 2011 and 2014, the Group entered into two contracts with shipyards for the construction and delivery of two jack-up drilling rigs. In 2019, the Group mutually agreed with the shipyards to terminate both contracts. Under both termination agreements, neither party shall have any continuing claim against the other party in connection with the respective contracts.

Following the termination of contracts, assets under construction with carrying amount of $54,974,000 were written-off during the year and drilling rig spares and replacement parts with net realisable value of $5,053,000 were reclassified from plant and equipment to inventories.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

16 PLANT AND EQUIPMENT (CONTINUED)

Assets under construction (Continued)

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

	2019 $'000	2018 $'000
Cost of sales	**28,660**	29,290
Other operating expenses	**265**	468
	28,925	29,758

The depreciation charge on rigs and other related assets was recorded in "Cost of sales". Depreciation charges on other categories of plant and equipment are presented as "Other operating expenses".

At 31 December 2019, the Group's rigs and other related assets with total carrying amount of $277,059,000 (2018: $313,826,000) are pledged as securities to secure a bank overdraft facility and bank loans (see Note 20).

Impairment

Rigs

Management 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 movements in oil prices, extended periods of idle time and/or inability to contract specific assets or groups of assets.

For the purposes of assessing impairment, each rig is treated as a separate CGU. Management assessed the recoverable amounts of the rigs based on their value in use calculated using the following key assumptions:

- Forecast charter rates consider actual charter rates close to the reporting date, the geopolitical and economic conditions present at the locations of the rigs and customer offers received. The forecast charter rates are generally expected to increase 3.0% (2018: 3.0%) per annum across all the Group's rigs to take account of inflation. Analysts forecast the inflation rates in the Group's operating countries to be in the range of 3.5% to 9.5% per annum. For a jack-up rig with a substantial remaining useful life, the forecast charter rates are specifically expected to increase by 2021, 2023 and 2025 (2018: 2021 and 2024). The increase translates to an average increase in charter rates of approximately 5% per annum (2018: 6% per annum) over the useful life of the rig.

- Utilisation rates of 60 – 90% (2018: 85 – 90%) were used in the cash flow computation, upon deployment of rigs, ranging from beginning of 2020 (2018: beginning of 2019) to twenty one months (2018: twelve months) from the reporting date. Utilisation rates are defined here as the percentage of time the rig generates its daily charter rate on deployed basis;

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

16 PLANT AND EQUIPMENT (CONTINUED)

Impairment (Continued)

Rigs (Continued)

- Pre-tax discount rates of 13.4% – 18.28% (2018: 9.24 – 17.40%) were estimated based on weighted average cost of capital for similar assets and adjusted for country risk and asset-specific risk premiums; and

- Projection periods from 5 to 24 years (2018: 3 to 25 years) that reflect the remaining economic useful lives of the rigs.

The above assumptions are premised on the rigs forecast to be deployed by reference to historical experience and market outlook in the region they are based. Where the Group's rigs has not secured any contracts and had not been deployed in recent years, the Group considered the scrap value as another recoverable amount. A weighted probability factor is then applied to determine the recoverable amount on a deployed and non-deployed basis, subject to value-in-use calculations and scrap value, respectively.

Under the bases described above, the Group recorded an additional impairment loss of $16,627,000 in the current year (2018: $1,793,000). At 31 December 2019, accumulated impairment losses were $81,749,000 (2018: $66,177,000). The remaining movement in the balance was due to the fluctuations in foreign exchange rates.

Sources of estimation uncertainty

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.

Impairment

In estimating the recoverable amounts of the rigs using value in use, management assumed certain prospective charter contracts and rates. The assumed charter rates, as well as the utilisation rate, timing and duration of deployment of the rigs, however, continue to be subject to estimation uncertainties that may result in material adjustments on the rigs' recoverable amounts in future periods.

The recoverable amounts of the rigs are sensitive to changes in the prospective charter rates, the utilisation rate and the timing and duration of deployment of the rigs. Assuming all other assumptions remain constant, (i) a 5% decrease in forecast charter rates would have increased the impairment loss by approximately $19,948,000 (2018: $15,756,000); (ii) a 5% decrease in utilisation rates would have increased the impairment loss by approximately $12,279,108 (2018: $7,961,000); and (iii) a delay in deployment of the rigs by three months would have increased the impairment loss by approximately $2,644,000 (2018:$3,640,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

17 INTANGIBLE ASSETS AND GOODWILL

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Group				
Cost				
At 1 January 2018	6,565	1,303	2,169	10,037
Translation differences	119	16	44	179
At 31 December 2018	6,684	1,319	2,213	10,216
Translation differences	(804)	(427)	(29)	(1,260)
At 31 December 2019	**5,880**	**892**	**2,184**	**8,956**
Accumulated amortisation and impairment losses				
At 1 January 2018	6,565	1,186	2,169	9,920
Amortisation charge during the year	–	116	–	116
Translation differences	119	16	44	179
At 31 December 2018	6,684	1,318	2,213	10,215
Amortisation charge during the year	–	1	–	1
Translation differences	(804)	(427)	(29)	(1,260)
At 31 December 2019	**5,880**	**892**	**2,184**	**8,956**
Carrying amounts				
At 1 January 2018	–	117	–	117
At 31 December 2018	–	1	–	1
At 31 December 2019	**–**	**–**	**–**	**–**

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 results.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current				
Trade payables:				
– Third parties	**10,236**	5,771	**–**	–
– Related parties	**138**	86	**–**	–
	10,374	5,857	**–**	–
Accrued operating expenses	**9,098**	11,609	**498**	780
Accrued interest expenses	**4,876**	5,407	**1,369**	1,205
Other payables	**1,630**	967	**722**	282
	15,604	17,983	**2,589**	2,267
	25,978	23,840	**2,589**	2,267
Non-current				
Accrued interest expenses	**8,058**	–	**–**	–
Other payables	**693**	561	**–**	–
	8,751	561	**–**	–

The amounts due to related parties are unsecured, interest-free and are repayable on demand.

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

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

19 AMOUNTS DUE TO SUBSIDIARIES

	Company	
	2019	2018
	$'000	$'000
Current non-trade payables	**1,852**	1,589
Non-current non-trade payables	**17,946**	18,180
	19,798	19,769

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

19 AMOUNTS DUE TO SUBSIDIARIES (CONTINUED)

The amounts due to subsidiaries, which are mainly denominated in United States dollars, are unsecured, interest-bearing and repayable on demand, except for an amount of $341,000 (2018: Nil), which is interest-free and an amount of $17,946,000 (2018: $18,180,000), which is repayable based on the repayment schedule of a loan held by a subsidiary with a financial institution (see Note 20). As the loan was refinanced, the amount have been reclassified as non-current, according to the repayment schedule of the refinancing arrangement. Included in the total of these amounts due to subsidiaries is an amount of $18,050,000 (2018: $18,373,000) at 31 December 2019 bearing variable interest at COF + 0.5% (2018: COF + 0.5%) and an amount of $1,407,000 (2018: $1,396,000) at 31 December 2019 bearing fixed interest of 4.75% (2018: fixed interest of 4.75%) per annum.

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

20 FINANCIAL LIABILITIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Secured bank loans	**5,185**	5,786	**–**	–
Secured bonds	**5,171**	–	**5,171**	–
Unsecured bank loans	**2,917**	5,728	**–**	–
Short-term borrowings from related parties	**304**	135	**–**	–
	13,577	11,649	**5,171**	–
Non-current				
Secured bank loans	**317,584**	326,128	**–**	–
Secured bonds	**–**	38,221	**–**	38,221
Unsecured bank loans	**7,083**	4,272	**–**	–
	324,667	368,621	**–**	38,221
Total financial liabilities	**338,244**	380,270	**5,171**	38,221

At 31 December 2019, the Group's rigs and other related assets with total carrying amount of $277,059,000 (2018: $313,826,000) are pledged as securities to secure a bank overdraft facility and bank loans (see Note 16).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

20 FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule

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

	Nominal interest rate	Year of maturity	2019 Face value $'000	2019 Carrying amount $'000	2018 Face value $'000	2018 Carrying amount $'000
Group						
Secured bonds	1.15% – 3.00%	2020	**5,392**	**5,171**	42,536	38,221
Bank loans (secured)	(COF + 0.5-1%) 6.25%	2022 – 2023	**318,867**	**322,769**	325,893	331,914
Bank loans (unsecured)	4.75%	2020 – 2023	**10,000**	**10,000**	10,000	10,000
Short-term borrowings from related parties	0% – 7%	Repayable on demand – 2020	**304**	**304**	135	135
			334,563	**338,244**	378,564	380,270
Company						
Secured bonds	1.15% – 3.00%	2020	**5,392**	**5,171**	42,536	38,221
			5,392	**5,171**	42,536	38,221

The interest rates for the above bank borrowings are repriced at one month (2018: one month).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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:

	Carrying amount $'000	Contractual cash flows $'000	Cash outflows Within 1 year $'000	Cash outflows After 1 year but within 5 years $'000
Group				
2019				
Non-derivative financial liabilities				
Fixed interest rate loans	**10,022**	**10,792**	**3,353**	**7,439**
Variable interest rate loans	**335,525**	**369,129**	**17,871**	**351,258**
Secured bonds	**5,322**	**5,737**	**5,737**	**–**
Short-term borrowings from related parties	**309**	**309**	**309**	**–**
Trade and other payables*	**21,795**	**21,795**	**21,102**	**693**
	372,973	**407,762**	**48,372**	**359,390**
2018				
Non-derivative financial liabilities				
Fixed interest rate loans	10,025	10,659	6,105	4,554
Variable interest rate loans	336,843	383,806	10,804	373,002
Secured bonds	38,674	44,720	1,185	43,535
Short-term borrowings from a related party	135	136	136	–
Trade and other payables*	18,994	18,994	18,433	561
	404,671	458,315	36,663	421,652
Company				
2019				
Non-derivative financial liabilities				
Secured bonds	**5,322**	**5,737**	**5,737**	**–**
Trade and other payables*	**1,220**	**2,589**	**2,589**	**–**
Amounts due to subsidiaries	**21,016**	**21,016**	**3,070**	**17,946**
	27,558	**29,342**	**11,396**	**17,946**
2018				
Non-derivative financial liabilities				
Secured bonds	38,674	44,720	1,185	43,535
Trade and other payables*	1,062	2,267	2,267	–
Amounts due to subsidiaries	20,521	20,521	2,341	18,180
	60,257	67,508	5,793	61,715

* The accrued interest payable included under "Other payables" in Note 18 is reclassified to the individual interest-bearing borrowings for the purpose of this liquidity table.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

20 FINANCIAL LIABILITIES (CONTINUED)

Terms and debt repayment schedule (Continued)

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

Maturity of financial liabilities are payable as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Payable:				
– Within 1 year	**39,555**	35,489	**9,612**	3,856
– After 1 year but within 5 years	**333,418**	369,182	**17,946**	56,401
Total	**372,973**	404,671	**27,558**	60,257

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

Moratorium on bank loans

KS Drilling and its subsidiaries ("KS Drilling")

During the year, KS Drilling suspended its principal and interest repayments owing (the "loan instalments") to a financial institution on the basis of the correspondence reached with the financial institution to suspend such loan instalments through 31 July 2020. The loan instalments suspended during the year amounted to $4,045,000. The Group plans to continue to negotiate with the financial institution to restructure the loan obligations.

Secured bonds

	Group and Company	
	2019	**2018**
	$'000	**$'000**
At 1 January	**38,221**	65,514
Accretion expense of redemption premium payable on secured bonds at maturity	**904**	4,817
Partial repurchase of secured bonds	**(31,000)**	(30,000)
Waiver for accrued secured bonds interest	**(2,954)**	(2,110)
At 31 December	**5,171**	38,221

The secured bonds were issued by the Company on 8 December 2017 and are repayable on 8 December 2020 (the "2017 Secured bonds"). The face value of the 2017 Secured bonds includes the redemption premium payable at maturity is $5,392,000.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

20 FINANCIAL LIABILITIES (CONTINUED)

Secured bonds (Continued)

The initial terms of the issuance are as follows:

(a) The 2017 Secured bonds were issued at a price of 100% along with 65,500,000 bonus warrants, each with the right to subscribe 1 share at the price of $0.045 per share.

(b) The subscription right may be exercised at the option of the warrant holder, at any time until the date falling seven day/s prior to the maturity date, on or about 8 December 2020, subject to customary closed periods.

(c) Unless previously redeemed or purchased and cancelled, the 2017 Secured bonds will be redeemed by the Company at 119.82% of their principal amount together with unpaid accrued interest thereon on the maturity date on 8 December 2020. Secured bondholders have right to extend the maturity to 8 December 2021 subject to redemption by the Company at 125.90% of their principal amount together with unpaid accrued interest thereon.

(d) The 2017 Secured bonds bear coupons at the rate from 1.15% – 3.00% per annum, payable on a semi-annual basis, with an initial coupon payment date on 8 June 2018. In case of extension of maturity, Secured bonds will bear coupons at the rate of 4.00% per annum.

(e) The yield-to-maturity was approximately 8.38% per annum, calculated on a semi-annual basis.

(f) The 2017 Secured bonds are secured by a share charge in respect of a portion of the shares in KS Drilling Pte Ltd and a negative pledge.

On 7 December 2018, the Company and the bondholders entered into a supplemental agreement, the third supplemental agreement, to amend and supplement the initial terms. Following the entry into the third supplemental agreements, the first interest payment date was extended to 8 December 2020, the maturity date. The interest payable on the maturity date shall comprise the interest payable in arrears on 8 December 2018, 8 June 2019, 8 December 2019, 8 June 2020 and the maturity date itself.

On 7 December 2018, the Company entered into a termination deed with existing warrant holders to terminate all of the 65,500,000 warrants and on 11 December 2018, the Company completed the purchase and cancellation of an aggregate of $30,000,000 in principal amount of the 2017 Secured bonds from a bondholder. The bondholder agreed to waive the payment of the accrued interest and redemption premium of $2,447,000 that was due under the terms of the 2017 Secured bonds.

On 26 February 2019, the Company entered into a subscription agreement to allot and issue an aggregate of 794,871,795 new ordinary shares in the capital of the Company. The new ordinary shares were issued to bondholders as consideration for the payment by the Company for the purchase of an aggregate $31,000,000 in principal amount of the 2017 Secured bonds. The bondholders agreed to waive the payment of the accrued interest and redemption premium of $3,504,000 that was due under the terms of the 2017 Secured bonds.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

20 FINANCIAL LIABILITIES (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Bank overdrafts $'000	Other loans and borrowings $'000	Short-term borrowings from a shareholder/ related party $'000	Secured bonds $'000	Total $'000
At 1 January 2018	–	342,449	100	65,514	408,063
Changes from financing cash flows					
Repayment of bank loans	–	(10,613)	–	–	(10,613)
Loan from related parties	–	–	2,380	–	2,380
Repayment of loan from related parties	–	–	(2,380)	–	(2,380)
Repayment of secured bonds, excluding interest	–	–	–	(30,000)	(30,000)
Payment of transaction costs	–	(48)	–	–	(48)
Total changes from financing cash flows	–	(10,661)	–	(30,000)	(40,661)
The effect of changes in foreign exchange rates	–	6,705	1	–	6,706
Other changes					
Change in bank overdraft	3,520	–	–	–	3,520
Finance income	–	–	–	(2,110)	(2,110)
Finance costs	–	3,421	–	4,817	8,238
Others	–	–	34	–	34
	3,520	3,421	34	2,707	9,682
At 31 December 2018	3,520	341,914	135	38,221	383,790

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

20 FINANCIAL LIABILITIES (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities (Continued)

	Bank overdrafts $'000	Other loans and borrowings $'000	Short-term borrowings from a shareholder/ related parties $'000	Secured bonds $'000	Lease liabilities (see Note 29) $'000	Total $'000
At 1 January 2019	**3,520**	**341,914**	**135**	**38,221**	**–**	**383,790**
Changes from financing cash flows						
Repayment of bank loans	–	(2,821)	–	–	–	(2,821)
Repayment of loan from a related party	–	–	(100)	–	–	(100)
Repayment of lease liabilities	–	–	–	–	(3)	(3)
Loan from a related party	–	–	269	–	–	269
Payment of transaction costs	–	(54)	–	–	–	(54)
Total changes from financing cash flows	–	(2,875)	169	–	(3)	(2,709)
The effect of changes in foreign exchange rates	–	(4,243)	–	–	–	(4,243)
Other changes						
Change in bank overdraft	139	–	–	–	–	139
Issuance of ordinary shares (see Note 22)	–	–	–	(31,000)	–	(31,000)
Finance income	–	–	–	(2,954)	–	(2,954)
Finance costs	–	(2,027)	–	904	5	(1,118)
New leases	–	–	–	–	395	395
	139	(2,027)	–	(33,050)	400	(34,538)
At 31 December 2019	**3,659**	**332,769**	**304**	**5,171**	**397**	**342,300**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

21 DEFERRED TAX

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

	At 1 January 2018 $'000	Recognised in profit or loss (Note 7) $'000	Recognised in equity $'000	Acquisition of subsidiary $'000	Exchange differences $'000	At 31 December 2018 $'000	Recognised in profit or loss (Note 7) $'000	Exchange differences $'000	At 31 December 2019 $'000
Group									
Deferred tax assets									
Tax losses	32	–	–	–	–	32	–	–	**32**
Plant and equipment	1,017	(580)	–	–	28	465	–	(7)	**458**
Employee benefits	83	–	(25)	–	–	58	–	–	**58**
	1,132	(580)	(25)	–	28	555	–	(7)	**548**
Deferred tax liabilities									
Secured bonds	55	(25)	–	–	–	30	(30)	–	**–**
Plant and equipment	–	–	–	1,003	20	1,023	–	(12)	**1,011**
	55	(25)	–	1,003	20	1,053	(30)	(12)	**1,011**

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

	Company 2019 $'000	Company 2018 $'000
Deferred tax liabilities		
Secured bonds	**–**	30

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

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Tax losses	**154,529**	124,740	**118**	121

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 profits will be available against which certain subsidiaries of the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

22 SHARE CAPITAL

	Company	
	2019	**2018**
	No. of shares	**No. of shares**
Fully paid ordinary shares, with no par value:		
At 1 January	**515,601,215**	515,601,215
Issue of ordinary shares	**794,871,795**	–
At 31 December	**1,310,473,010**	515,601,215

Issue of ordinary shares

In April 2019, the shareholders approved the issuance of 794,871,795 new ordinary shares in the capital of the Company, as consideration for the payment by the Company for the purchase of an aggregate of S$31,000,000 in principal amount of 2017 Secured Bonds (see Note 20).

Capital management

The Board of Directors manages capital to ensure entities in the Group will be able to continue as a going concern to safeguard returns for shareholders.

The Board of Directors reviews the capital structure on a regular basis. Capital consists of total shareholders' equity (including non-controlling interests), bank loans and bonds. The Group is required to maintain gearing below certain thresholds in order to comply with covenants in loan agreements with banks and financial institutions and bond subscription agreements.

Based on the reviews, the Group aims to balance its overall capital structure through the issue of new shares and new debt or the redemption of existing debt.

The Group monitors capital using a net debt to equity gearing ratio.

23 RESERVES

Equity reserve

The equity reserve relates to the fair value of warrants issued by the Company in 2009 and lapsed in 2011 amounting to $16,429,000, the equity component of 2010 Convertible bonds, 2013 Convertible bonds and 2015 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, amounting to $8,401,000, and the fair value of warrants issued by the Company in 2017 amounting to $322,000. In 2015, the Company issued 2,669,000 treasury shares and the loss on issue of shares were recorded in equity reserve.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

23 RESERVES (CONTINUED)

Equity reserve (Continued)

The equity reserve comprises the following:

	2019 $'000	2018 $'000
Fair value of warrants issued in 2009	**16,429**	16,429
Fair value of share options embedded in 2010 Convertible bonds	**6,493**	6,493
Fair value of share options embedded in 2013 Convertible bonds	**1,795**	1,795
Fair value of share options embedded in 2015 Convertible bonds	**113**	113
Loss on issue of treasury shares in 2015	**(7,145)**	(7,145)
Fair value of warrants issued in 2017	**322**	322
	18,007	18,007

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 comprises the gain on dilution of interests in subsidiaries without loss of control which occurred in prior years.

Dividends

No dividend has been declared or proposed by the Company in respect of the financial years ended 31 December 2019 and 31 December 2018.

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 Remuneration Committee (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
- 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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

24 EMPLOYEE COMPENSATION BENEFITS (CONTINUED)

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. 2,669,000 treasury shares have been issued due to vesting of shares pursuant to the KS Energy Performance Share plan in 2015.

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 directors and other key management personnel.

Key management personnel compensation comprised:

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	**2,527**	3,269
Post-employment benefits	**62**	64
	2,589	3,333

Comprise amounts paid or payable to:

	Group	
	2019	**2018**
	$'000	**$'000**
Directors of the Company	1,129	1,067
Other key management personnel	1,460	2,266
	2,589	3,333

The related parties referred throughout the financial statements are entities in which directors of the Company or a close family member of a director have control or significant influence.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

25 RELATED PARTIES (CONTINUED)

Other related party transactions

	Group	
	2019	**2018**
	$'000	**$'000**
Transactions with other companies in which directors of the Company have control or significant influence, including transactions with close family member of a director		
Sales of goods	**2**	–
Purchase of goods	**(353)**	(405)
Professional fees	**(5)**	(18)
Interest expense	**(7)**	(40)
Office expense	**(3)**	(5)

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

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (Continued)

The Audit and Risk Management Committee ("ARMC") 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 ARMC 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 ARMC.

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. In the previous financial year, credit risk included risk of financial loss arose from amounts due from joint ventures.

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

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Impairment loss on:		
– non-trade receivables	–	34

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk associated with the industry and country in which customers operate, as these factors may have an influence on credit risk. Details of concentration of revenue are included in Note 4.

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.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one month for customers.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

More than 43% (2018: 62%) of the Group's customers have been transacting with the Group for over four years, and some of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

At 31 December 2019, the Group has concentration of credit risk in three (2018: three) major trade debtors representing approximately 59% (2018: 78%) of total trade receivables and contract assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Group does not require collateral in respect of trade receivables. The Group does not have any trade receivables and contract assets for which no loss allowance is recognised because of collateral.

The allowance account in respect of trade receivables and contract assets 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.

Exposure to credit risk

The exposure to credit risk for trade receivables and contract assets at the reporting date by business segments was as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Drilling	**12,289**	2,019
Engineering	**1,556**	1,002
	13,845	3,021

The Group's top three most significant customers account for $8,141,000 (2018: $2,387,000) of the trade receivables and contract assets carrying amount at 31 December 2019. 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 and contract assets.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (Continued)

A summary of the Group's exposure to credit risk for trade receivables and contract assets are as follows:

	Group			
	2019		2018	
	Not credit-impaired $'000	Credit-impaired $'000	Not credit-impaired $'000	Credit-impaired $'000
Trade receivables:				
– Four or more years' trading history with the Group*	**5,915**	**–**	1,867	–
– Less than four years' trading history with the Group*	**7,938**	**–**	1,162	–
– Higher risk	**–**	**317**	–	295
Total gross carrying amount	**13,853**	**317**	3,029	295
Loss allowance	**(8)**	**(317)**	(8)	(295)
	13,845	**–**	3,021	–

* Excluding "higher risk".

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from customers.

The allowance matrix is based on actual credit loss experience over the past four years adjusted for current conditions as well as the management's view of economic conditions over the expected lives of the receivables and contract assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (Continued)

Expected credit loss assessment for customers as at 31 December 2019 (Continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December:

	Weighted-average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit-impaired
Group				
2019				
Not past due	**0.20**	**12,415**	**(6)**	**No**
Past due 0 – 30 days	**0.30**	**–**	**–**	**No**
Past due 31 – 120 days	**1.57**	**498**	**(1)**	**No**
Past due more than 120 days	**2.65**	**940**	**(1)**	**No**
– Lower risk		**13,853**	**(8)**	
– Higher risk	**100.00**	**317**	**(317)**	**Yes**
		14,170	**(325)**	
2018				
Not past due	0.22	1,862	(1)	No
Past due 0 – 30 days	0.32	–	–	No
Past due 31 – 120 days	1.48	109	(1)	No
Past due more than 120 days	2.76	1,058	(6)	No
– Lower risk		3,029	(8)	
– Higher risk	100.00	295	(295)	Yes
		3,324	(303)	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to credit risk (Continued)

Movements in the allowance for impairment in respect of trade receivables and contract assets, other receivables, amounts due from subsidiaries and loan to joint venture

The movements in allowance for impairment in respect of trade receivables and contract assets, other receivables, amounts due from subsidiaries and loan to joint venture during the year are set out below.

	Lifetime ECL	
	Group	**Company**
	$'000	**$'000**
At 1 January 2018 under FRS 39	(41,408)	(19,979)
Adjustment on initial application of SFRS(I) 9	(27)	–
Balance at 1 January 2018 under SFRS(I) 9	(41,435)	(19,979)
Impairment loss recognised on non-trade receivables	(34)	(147)
Write-back of allowance for impairment loss	26	84
Allowance written off	4,452	–
Acquisition of a subsidiary	36,757	–
Translation differences	(103)	(397)
At 31 December 2018 per SFRS(I) 9	(337)	(20,439)
At 1 January 2019 per SFRS(I) 9	(337)	(20,439)
Write-back of allowance for impairment loss	–	1
Translation differences	(22)	253
At 31 December 2019 per SFRS(I) 9	(359)	(20,185)

Loans to subsidiaries, non-trade receivables, amounts due from subsidiaries and cash and cash equivalents

The Group and the Company uses a similar approach for assessment of ECLs for loans to subsidiaries, non-trade receivables, amounts due from subsidiaries and cash and cash equivalents to those used for trade receivables and contract assets. Impairment on these balances has been measured on a lifetime expected loss basis which reflects the credit risk of the exposures. Cash and fixed deposits are placed with banks and approved financial institutions. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on these balances is negligible.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 by the Group entities. The Group requires its operating entities to maintain adequate liquidity positions and to manage the 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 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.

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 twelve months ending 31 December 2020 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 flows to satisfy the Group's 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 continuously monitor funding facilities to ensure adequate funds are available to meet the funding needs of the Group and the Company.

Refer to Note 2.1 for management's assessment on the appropriateness of the continuing use of the going concern assumption in the preparation of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 interest-bearing financial instruments, as reported to the management, was as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Financial assets	**–**	4,351	**–**	10
Financial liabilities	**(15,696)**	(52,671)	**(5,392)**	(42,536)
	(15,696)	(48,320)	**(5,392)**	(42,526)
Variable rate instruments				
Financial assets	**2,457**	11,255	**24**	1,079
Financial liabilities	**(318,867)**	(325,893)	**–**	–
	(316,410)	(314,638)	**24**	1,079

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.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 25 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 for 2018 was performed for a change of 100 basis points, using the same assumptions for all other variables.

	Group Profit before tax		Company Profit before tax	
	25 bp increase $'000	25 bp decrease $'000	25 bp increase $'000	25 bp decrease $'000
31 December 2019				
Variable rate instruments	**(12,653)**	**12,653**	**1**	**(1)**

	Group Profit before tax		Company Profit before tax	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
31 December 2018				
Variable rate instruments	(3,146)	3,146	11	(11)

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 currency giving rise to this risk is primarily the United States dollar.

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

YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

The summary of quantitative data about the Group's 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**	**Others $'000**	**Total $'000**
Group				
31 December 2019				
Cash and cash equivalents	**104**	**(2,766)**	**1,460**	**(1,202)**
Trade and other receivables and contract assets	**139**	**11,976**	**2,400**	**14,515**
Trade and other payables and contract liabilities	**(2,806)**	**(22,085)**	**(9,889)**	**(34,780)**
Financial liabilities	**(15,171)**	**(323,073)**	**–**	**(338,244)**
Net financial assets/(liabilities)	**(17,734)**	**(335,948)**	**(6,029)**	**(359,711)**
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	**7,238**	**336,141**	**222**	**343,601**
	(10,496)	**193**	**(5,807)**	**(16,110)**
31 December 2018				
Cash and cash equivalents	1,241	7,512	3,333	12,086
Trade and other receivables and contract assets	139	3,368	132	3,639
Trade and other payables and contract liabilities	(2,610)	(18,034)	(3,777)	(24,421)
Financial liabilities	(48,321)	(331,949)	–	(380,270)
Net financial assets/(liabilities)	(49,551)	(339,103)	(312)	(388,966)
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	39,315	335,748	207	375,270
	(10,236)	(3,355)	(105)	(13,696)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

	Singapore dollar $'000	US dollar $'000	Others $'000	Total $'000
Company				
31 December 2019				
Cash and cash equivalents	**14**	**10**	**–**	**24**
Trade and other receivables	**8**	**–**	**–**	**8**
Inter-company balances	**226**	**(19,713)**	**–**	**(19,487)**
Trade and other payables	**(1,371)**	**(1,218)**	**–**	**(2,589)**
Financial liabilities	**(5,171)**	**–**	**–**	**(5,171)**
Net financial assets/(liabilities)	**(6,294)**	**(20,921)**	**–**	**(27,215)**
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	**6,294**	**–**	**–**	**6,294**
	–	**(20,921)**	**–**	**(20,921)**
31 December 2018				
Cash and cash equivalents	1,064	15	–	1,079
Trade and other receivables	82	–	–	82
Inter-company balances	177	(19,775)	–	(19,598)
Trade and other payables	(1,498)	(769)	–	(2,267)
Financial liabilities	(38,221)	–	–	(38,221)
Net financial assets/(liabilities)	(38,396)	(20,529)	–	(58,925)
Less: Net financial (assets)/liabilities denominated in the Company's functional currency	38,396	–	–	38,396
	–	(20,529)	–	(20,529)

Sensitivity analysis

A 10% strengthening of the Singapore dollar, as indicated below, against the foreign currencies at reporting date 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 on forecasted sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Sensitivity analysis (Continued)

The analysis is performed on the same basis as 2018, as indicated below:

	Group Profit before tax		Company Profit before tax	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
US dollar	(19)	336	2,092	2,053
Others	581	11	–	–

A weakening of the 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.

Determination of fair values

Fair values

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2019 and 2018.

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

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.

Interest-bearing bank loans

The carrying value of interest-bearing loans that reprice at every one month interval is assumed to approximate their fair values. The carrying values of the term loans also approximate their fair values as they are subject to floating interest rates which in turn approximate the current market interest rate for similar loans at reporting date.

26 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Determination of fair values (Continued)

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year 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.

Fair value of all financial assets and financial liabilities is measured based on unobservable market data (Level 3 inputs).

27 CONTINGENT LIABILITIES

Group

A subsidiary is contesting a claim brought by a tax authority from a certain jurisdiction. While liability is not admitted, in the event that the defence against the claim is unsuccessful, then liabilities of up to $4,880,000 may occur. Based on legal advice obtained by the subsidiary, there is not a strong basis for the claim and the subsidiary has merits to oppose the claim. No provision has been recognised at the reporting date as it is not certain that an outflow of economic benefits will arise.

Company

Financial guarantees

The Company issues financial guarantees on behalf of its subsidiaries. There are no terms and conditions attached to the financial guarantee contracts that currently 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.

Financial guarantees given to banks to secure banking facilities provided:

	2019 $'000	2018 $'000
Subsidiaries	**207,005**	228,501

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

27 CONTINGENT LIABILITIES (CONTINUED)

Company (Continued)

Financial guarantees (Continued)

As at 31 December 2019, $207,005,000 (2018: $161,988,714) 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:

	2019 $'000	2018 $'000
After 1 year but within 5 years	**207,005**	228,501

28 COMMITMENTS

Capital commitments

In 2011 and 2014, the Group entered into two contracts with shipyards for the construction and delivery of two jack-up drilling rigs.

As at 31 December 2018, the capital commitments of the Group to acquire these two jack-up drilling rigs were $489,020,000.

In 2019, the Group and the shipyards mutually agreed to terminate both contracts. Under both termination agreements, neither party shall have any continuing claim against the other party in connection with the respective contracts. Following the termination of the contracts, the Group ceases to have capital commitments for assets under construction.

29 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases office premises and warehouses. The leases typically run for a period of 2 to 3 years, with an option to renew the lease after that date. Lease payments are renegotiated upon renewal to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. The Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the Group is a lessee is presented below.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

29 LEASES (CONTINUED)

Right-of-use assets

Right-of-use assets related to leased office premises and warehouses are presented as plant and equipment (see Note 16).

	Right-of-use assets 2019 $'000
Balance at 1 January	**–**
Additions to right-of-use assets	**395**
Depreciation charge for the year	**(20)**
Balance at 31 December	**375**

Amounts recognised in profit or loss

	2019 $'000
2019 – Lease under SFRS(I) 16	
Interest on lease liabilities	**5**
Expenses relating to short-term leases	**632**
2018 – Operating lease under SFRS(I) 1-17	
Lease expense	**632**

Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	**3**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

30 OPERATING SEGMENTS

The Group has two reportable segments (three prior to 10 December 2018), 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 is accounted for using the equity method. Distribution segment ceased to exist effective 10 December 2018 pursuant to the divestment of KS Distribution Pte Ltd ("KSD") (see Note 31 for details).

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.

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments

Business segments	Drilling 2019 $'000	Drilling 2018 $'000	Engineering 2019 $'000	Engineering 2018 $'000	Distribution* 2019 $'000	Distribution* 2018 $'000	Others 2019 $'000	Others 2018 $'000	Inter-segment Adjustments 2019 $'000	Inter-segment Adjustments 2018 $'000	Total 2019 $'000	Total 2018 $'000
External revenues	**31,238**	50,617	**1,038**	832	**–**	–	**–**	–	**–**	–	**32,276**	51,449
Inter-segment revenues	**–**	–	**102**	–	**–**	–	**–**	–	**(102)**	–	**–**	–
Total revenue	**31,238**	50,617	**1,140**	832	**–**	–	**–**	–	**(102)**	–	**32,276**	51,449
Finance income	**65**	143	**–**	1	**–**	–	**3,504**	2,454	**–**	(7)	**3,569**	2,591
Finance costs	**(7,273)**	(12,381)	**(2)**	(9)	**–**	–	**(1,723)**	(6,533)	**–**	7	**(8,998)**	(18,916)
Reportable segment loss before income tax	**(105,797)**	(55,785)	**564**	620	**–**	–	**440**	2,144	**1,109**	4,790	**(103,684)**	(48,231)
Share of results of joint ventures	**–**	–	**–**	–	**–**	(9,226)	**–**	–	**–**	–	**–**	(9,226)
Consolidated loss before tax	**(105,797)**	(55,785)	**564**	620	**–**	(9,226)	**440**	2,144	**1,109**	4,790	**(103,684)**	(57,457)
Income tax	**(764)**	(1,070)	**–**	–	**–**	–	**30**	4,588	**–**	–	**(734)**	3,518
Other material non-cash items:												
Depreciation of plant and equipment	**28,908**	29,637	**11**	24	**–**	–	**6**	97	**–**	–	**28,925**	29,758
Amortisation of intangible assets	**–**	108	**1**	8	**–**	–	**–**	–	**–**	–	**1**	116
Impairment loss/(Write-back) for receivables	**–**	8	**–**	–	**–**	–	**–**	–	**–**	–	**–**	8
Impairment loss on rigs	**16,627**	1,793	**–**	–	**–**	–	**–**	–	**–**	–	**16,627**	1,793
Write-back of impairment loss on investment in joint venture**	**–**	–	**–**	–	**–**	–	**–**	(9,904)	**–**	–	**–**	(9,904)
Foreign exchange loss/(gain) (net)	**93**	1,374	**20**	–	**–**	–	**18**	398	**–**	–	**131**	1,772
Loss on disposal of plant and equipment	**(653)**	2,021	**–**	–	**–**	–	**–**	–	**–**	–	**(653)**	2,021
Plant and equipment written off	**–**	–	**(4)**	–	**–**	–	**(14)**	–	**–**	–	**(18)**	–
Asset under construction written off	**(54,974)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(54,974)**	–
Adjustment for over provision of tax in respect of prior years	**(118)**	(377)	**–**	–	**–**	–	**(30)**	(4,570)	**–**	–	**(148)**	(4,947)

* The results from Distribution segment (from January 2018 to November 2018) are accounted for using the equity method since it is a joint venture. Refer to Note 14 for financial information on the previously held joint venture, KS Distribution Pte Ltd.

** This amount relates to the Group's impairment of investment in joint venture, which has been disposed of on 10 December 2018.

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

Business segments	Drilling		Engineering		Distribution*		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities										
Reportable segment assets	**307,028**	410,238	**1,997**	1,619	**–**	–	**56**	1,202	**309,081**	413,059
Deferred tax assets	**548**	555	**–**	–	**–**	–	**–**	–	**548**	555
Total assets	**307,576**	410,793	**1,997**	1,619	**–**	–	**56**	1,202	**309,629**	413,614
Reportable segment liabilities	**367,795**	366,093	**1,290**	1,418	**–**	–	**7,995**	40,700	**377,080**	408,211
Provision for tax	**3,134**	3,195	**2**	2	**–**	–	**–**	–	**3,136**	3,197
Deferred tax liabilities	**1,011**	1,023	**–**	–	**–**	–	**–**	30	**1,011**	1,053
Total liabilities	**371,940**	370,311	**1,292**	1,420	**–**	–	**7,995**	40,730	**381,227**	412,461
Other segment information										
Capital expenditure	**6,020**	920	**69**	–	**–**	–	**–**	4	**6,089**	924

* The results from Distribution segment (from January 2018 to November 2018) are accounted for using the equity method since it is a joint venture. Refer to Note 14 for financial information on the previously held joint venture, KS Distribution Pte Ltd.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

30 OPERATING SEGMENTS (CONTINUED)

Information about reportable segments (Continued)

Geographical segments

	Revenue		Other non-current assets		Capital expenditure	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Singapore	**964**	739	**416**	42	**426**	12
The People's Republic of China	**–**	–	**–**	64,212	**–**	314
Egypt	**1,494**	4,472	**13,371**	19,238	**–**	430
Pakistan	**–**	339	**–**	9,116	**–**	–
Vietnam	**22,225**	16,523	**195,536**	205,362	**478**	161
Indonesia	**7,541**	29,297	**74,105**	91,752	**5,185**	7
Other countries	**52**	79	**–**	–	**–**	–
	32,276	51,449	**283,428**	389,722	**6,089**	924

Major customers

During the financial year, the Group had four (2018: five) customers in drilling and engineering segment that individually contributed 5% or more of the Group's revenue. Revenue from these customer accounts amounted to $28,741,000 (2018: $49,764,000).

31 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

(a) Deemed disposal of a joint venture during the financial year ended 31 December 2018

On 1 January 2018, the Group entered into an option agreement with a shareholder of a joint venture, PT KS Drilling Indonesia ("PT KSDRI"), giving the Group an option to purchase 20,000 shares of PT KSDRI, representing 2% of total voting rights, at US$20,000.

Pursuant to the option agreement, which confers onto the Group potential voting rights of 51% of PT KSDRI, the Group has determined it has control over PT KSDRI from 1 January 2018.

The Group ceased the application of equity method accounting in PT KSDRI as of that date.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

31 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(b) Acquisition of subsidiary during the financial year ended 31 December 2018

Subsequent to entering the option agreement, PT KSDRI, which holds PT Java Star Rig, became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	Note	At date of acquisition $'000
Plant and equipment		32,291
Cash and cash equivalents		9,041
Other current assets		322
Payables		(75,364)
Total identifiable net liabilities		(33,710)
Non-controlling interests		(67)
Accumulated impairment losses on a joint venture previously held		33,777
Total deemed purchase consideration		–
Less: Carrying value of interest in a joint venture previously held	14	–
Purchase consideration		–
Cash and cash equivalents of a subsidiary deemed acquired		9,041
Net cash inflow of the Group on deemed acquisition		9,041

PT KSDRI contributed a net loss after tax of $11,202,000 for the period from 1 January 2018 to 31 December 2018.

(c) Disposal of a joint venture together with a subsidiary during the financial year ended 31 December 2018

On 10 December 2018, the Group completed a series of transactions comprising an internal reorganisation, a bond restructuring and a disposal. Pursuant to the internal reorganisation, the Company transferred all the Company's 55.35% shareholding interest held in KS Distribution Pte Ltd ("KSD") to a wholly-owned subsidiary KS Resources Pte Ltd ("KSR") for a consideration of $37,857,000. KSR issued an aggregate of $35,000,000 fixed rate unsecured bonds ("KSR Bonds") due 2021, the proceeds of which was applied as the consideration of the transfer of KSD. The balance consideration of $2,857,000 was settled in cash. The Company then disposed of 100% of the existing issued share capital of KSR, together with the 55.35% interest in KSD, for an aggregate cash consideration of $1,643,000. The Company received a combined cash consideration of $4,424,000, net of transaction costs and liabilities assumed.

The Group ceased the application of equity method accounting in KSD and consolidation of KSR as of that date. Prior to the disposal, the Group wrote back an impairment loss on investment in joint venture of $9,904,000. The Group did not recognise any gain or loss on the disposal of KSD and KSR during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

31 ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(c) Disposal of a joint venture together with a subsidiary during the financial year ended 31 December 2018 (Continued)

The details of the disposal were as follows:

	At date of disposal $'000
Carrying amount of joint venture	39,424
Current liabilities (KSR Bonds)	(35,000)
Net assets	4,424
Net proceeds from disposal	(4,424)
Gain/(Loss) on disposal	–

KSR did not contribute to the Group's results for the period from 1 January 2018 to 10 December 2018.

32 SUBSEQUENT EVENTS

(a) Amendment to Option Agreement of PT KS Drilling Indonesia

On 1 January 2020, the Group entered into an amendment agreement with a shareholder of a subsidiary, PT KS Drilling Indonesia ("PT KSDRI") in respect of the option for the Group to purchase 20,000 shares of PT KSDRI, representing 2% of total voting rights ("the option"). The agreement amended with immediate effect the option expiry date to 1 January 2020. Pursuant to this amendment agreement, the Group's potential voting rights over 20,000 shares of PT KSDRI has lapsed leaving the Group with control over voting rights of 490,000 shares of PT KSDRI, representing 49% of all voting rights. The Group has therefore determined it has joint control over PT KSDRI from 1 January 2020 and will begin recognising PT KSDRI as a joint venture from that date.

(b) Claim by Camar Resources Canada Inc.

On 4 April 2019, a consortium of PT Atlantic Oilfield Services, a subsidiary of KS Drilling Pte Ltd together with a former subsidiary now held as a joint venture since 1 January 2020, PT Java Star Rig (the "Consortium"), was awarded a contract for the KS Java Star jack-up drilling rig ("Java Star Rig") by Camar Resources Canada Inc. ("CRC").

On 29 February 2020, Java Star Rig was involved in an incident (the "Incident"). There was a rapid penetration of a leg into the seabed during the jacking-up preloading process, after which, a well on the platform was observed to be on fire. The fire was subsequently extinguished.

The Consortium has received a notice of contract termination and letter of demand from CRC effective from 23 March 2020. CRC has claimed for, inter alia, costs, damages and losses in relation to the Incident of US$23,494,961 (the "Claim"). The Consortium has appointed lawyers to advise them in this regard. The Consortium shall defend against the termination and Claim vigorously. No provision has been recognised in respect of the Incident as at the reporting date since the Incident occurred subsequent to the year end.

SHAREHOLDERS' INFORMATION

AS AT 24 MARCH 2020

Class of shares	:	Ordinary shares
Issued and fully paid-up capital	:	S$392,629,700.55
Number of Shares issued	:	1,310,473,010 (excluding Treasury Shares)
Number of Treasury Shares (Percentage)	:	8,639,000 (0.66%)
Voting rights (excluding Treasury Shares)	:	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 24 MARCH 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDING
1 – 99	169	2.65	5,958	0.00
100 – 1,000	1,999	31.37	1,273,367	0.10
1,001 – 10,000	2,987	46.88	12,484,523	0.95
10,001 – 1,000,000	1,204	18.18	51,335,327	3.92
1,000,001 – and above	14	0.22	1,245,373,835	95.03
TOTAL	**6,372**	**100.00**	**1,310,473,010**	**100.00**

Note: The percentage is calculated based on 1,310,473,010 Shares (excluding 8,639,000 shares held as Treasury Shares) as at 24 March 2020.

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%(1)	Deemed Interest	%(1)
Pacific One Energy Limited	859,563,713(2)	65.59	–	–
Rija Holdings Limited	–	–	859,563,713(2)	65.59
Kris Wiluan	–	–	859,563,713(2)	65.59
Richard James Wiluan	–	–	859,563,713(2)	65.59
Ms Hedy Wiluan	243,589,744	18.59	20,580,000(3)	1.57

Notes:

(1) The percentage of shareholding is calculated based on 1,310,473,010 issued shares (excluding 8,639,000 Treasury Shares) as at 24 March 2020.

(2) Rija Holdings Limited ("Rija"), which is the holding company of Pacific One Energy Limited ("Pac One"), is controlled by Mr Kris Wiluan and Mr Richard James Wiluan. By virtue of Section 4 of the Securities and Futures Act, Rija, Mr Kris Wiluan and Mr Richard James Wiluan are deemed interested in the 859,563,713 shares held by Pac One.

(3) Ms Hedy Wiluan is an immediate family member of Mr Kris Wiluan, the Chairman, CEO and a controlling shareholder of the Company. By virtue of Section 4 of the Securities and Futures Act, Ms Hedy Wiluan is also deemed interested in the 20,580,000 shares.

SHAREHOLDERS' INFORMATION
AS AT 24 MARCH 2020

LIST OF TWENTY (20) LARGEST SHAREHOLDERS AS AT 24 MARCH 2020

(As Recorded in the Depository Register as at 24 March 2020)

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	PACIFIC ONE ENERGY LIMITED	859,563,713	65.59
2	CITIBANK NOMINEES SINGAPORE PTE LTD	290,208,369	22.15
3	DUBAI TRANSPORT COMPANY LLC	50,751,948	3.87
4	RAFFLES NOMINEES (PTE) LIMITED	18,530,700	1.41
5	DBS NOMINEES PTE LTD	9,418,728	0.72
6	LIM GEOK SENG	2,416,000	0.18
7	SUM CHEE WOH	2,347,800	0.18
8	PHILLIP SECURITIES PTE LTD	2,101,980	0.16
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,075,422	0.16
10	SUNFIELD PTE LTD	2,018,500	0.15
11	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,781,675	0.14
12	SAMUEL PAUL OLIVER CAREW-JONES	1,594,000	0.12
13	NG HWEE KOON	1,505,000	0.11
14	CHUNG BOON HOE	1,060,000	0.08
15	TAN KAY TOH	957,500	0.07
16	KAM TEOW CHONG	887,642	0.07
17	OCBC NOMINEES SINGAPORE PTE LTD	870,381	0.07
18	HSBC (SINGAPORE) NOMINEES PTE LTD	680,581	0.05
19	CHU CHOY HAR	631,000	0.05
20	PHUA KIM HIANG	585,000	0.04
	TOTAL:	**1,249,985,939**	**95.37**

Note: The percentage of shareholding is calculated based on 1,310,473,010 Shares (excluding 8,639,000 shares held as Treasury Shares) as at 24 March 2020.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company as at 24 March 2020, approximately 12.90% 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

KS ENERGY LIMITED
(Company Registration No. 198300104G)
(Incorporated in the Republic of Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KS Energy Limited (the "**Company**") will be held at Conference Room, Level 6, Innocentre, Blk 1003 Bukit Merah Central, Singapore 159836 on Wednesday, 29 April 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Constitution of the Company:

   Mr Richard James Wiluan **(Resolution 2)**
   Mr Lawrence Stephen Basapa **(Resolution 3)**
   [See Explanatory Note (i)]

3. To approve the payment of Directors' Fees of S$186,900 for the financial year ended 31 December 2019 (FY2018: S$225,000). **(Resolution 4)**

4. To re-appoint KPMG LLP as the Independent Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares**

   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**"), the Directors of the Company be authorised and empowered to:

   (a) allot and issue shares in the Company ("**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) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force;

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) 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 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 (ii)] **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

7. **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 14 April 2020 (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**");

(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 and 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 (iii)] **(Resolution 7)**

8. **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;

NOTICE OF ANNUAL GENERAL MEETING

(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 (iv)] **(Resolution 8)**

By Order of the Board

Marilyn Tan Lay Hong
Cho Form Po
Joint Company Secretaries

Singapore,
14 April 2020

Explanatory Notes on Resolutions to be passed:

(i) Mr Richard James Wiluan will, upon re-election as Director of the Company, remain as Executive Director of the Company and will be considered non-independent. Mr Lawrence Stephen Basapa will, upon re-election as Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee, and will be considered independent.

(ii) Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary 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 when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) Ordinary Resolution 7 proposed in item 7 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.

(iv) Ordinary Resolution 8 proposed in item 8 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

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. If the appointer is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 133 New Bridge Road, #21-01 Chinatown Point, Singapore 059413 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Measures to Minimise Risk of Covid-19

In view of the **Covid-19** situation, the following steps will be taken for members and others attending the Meeting to minimise the risk of community spread of the **Covid-19**:

1. All persons attending the Meeting will be required to undergo a temperature check and sign a health declaration form in respect of whether they have been to affected areas as advised by Singapore Ministry of Health ("**Affected Areas**") during the 14 days prior to the date of the Meeting.

2. Any person who has been in Affected Areas, irrespective of nationality, during the said 14 days period **will not be permitted to attend** the Meeting. The health declaration form will also be used for the purpose of contact tracing, if required.

3. Any person who has fever or exhibiting flu-like symptoms **will not be permitted to attend** the Meeting/will be denied entry.

4. There will not be any food served at the Meeting.

5. Members are advised not to attend the Meeting and encouraged to submit their proxy forms by appointing "Chairman of the Meeting" as their proxy even though the Meetings represents the primary platform for two-way interaction between the Members, the Board and Management of the Company. The proxy form is attached to the Notice of Meeting.

Members who are feeling unwell on the date of the Meeting are advised not to attend the Meeting. Members are also advised to arrive at the Meeting venue early given that the above-mentioned measures may cause delay in the registration process.

As the Covid-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimise any risk to Members and others attending the Meeting.

The Company seeks the understanding and cooperation of all members to minimise the risk of community spread of the Covid-19.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

KS ENERGY LIMITED

(Company Registration No. 198300104G)
(Incorporated in The Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. 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.

I/We, ______________________________ NRIC/Passport No.: ______________
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 the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Conference Room, Level 6, Innocentre, Blk 1003 Bukit Merah Central, Singapore 159836 on Wednesday, 29 April 2020 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against or abstain the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as *he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

If you wish to exercise all your votes "For" or "Against" or "Abstain", tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2019			
2	Re-election of Mr Richard James Wiluan as Director			
3	Re-election of Mr Lawrence Stephen Basapa as Director			
4	Approval of Directors' Fees amounting to S$186,900 for the financial year ended 31 December 2019			
5	Re-appointment of KPMG LLP as Independent Auditors			
6	Authority to allot and issue shares			
7	Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT DWI Sumber Arca Waja Group			
8	Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions with PT KS Drilling Indonesia and/or its subsidiaries			

*Delete where inapplicable

Dated this ________ day of ________________ 2020

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, 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 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company 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. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 133 New Bridge Road, #21-01 Chinatown Point, Singapore 059413 not less than 48 hours before the time appointed for the Meeting.

7. 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.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

9. An investor who buys shares using Central Provident Fund monies ("CPF Investor") and/or Supplementary Retirement Scheme monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2020.

KS ENERGY LIMITED

(Company Registration No: 198300104G)
133 New Bridge Road, #21-01 Chinatown Point,
Singapore 059413
Tel: +65 6577 4600 Fax: +65 6577 4619
Email: mail@ksenergy.com.sg
www.ksenergy.com.sg