

CIRCULAR DATED 12 OCTOBER 2017

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

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

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

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

Approval in-principle has been obtained from the SGX-ST for the dealing in, listing and quotation for the Warrant Shares (as defined herein) on the Main Board of the SGX-ST, subject to certain conditions. The approval in-principle granted by the SGX-ST is not to be taken as an indication of the merits of the Proposed Warrants Issue, the Warrants, the Warrant Shares, the Company and/or its subsidiaries.



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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (A) **THE PROPOSED ISSUE OF AN AGGREGATE S\$65.5 MILLION FIXED RATE SECURED BONDS DUE 2020 (THE “BONDS”) (THE “PROPOSED BONDS ISSUE”) AND THE PROPOSED ISSUE OF 65.5 MILLION NON-LISTED BONUS WARRANTS CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) SHARE EACH IN THE CAPITAL OF THE COMPANY AT THE EXERCISE PRICE OF S\$0.045 PER SHARE (THE “WARRANTS”) (THE “PROPOSED WARRANTS ISSUE”);**
- (B) **THE PROPOSED ISSUE OF AN AGGREGATE S\$18.5 MILLION BONDS AND 18.5 MILLION WARRANTS TO PACIFIC ONE ENERGY LIMITED (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE “PROPOSED POEL TRANSACTIONS”), WHICH CONSTITUTE AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL;**
- (C) **THE PROPOSED ISSUE OF AN AGGREGATE S\$9.5 MILLION BONDS AND 9.5 MILLION WARRANTS TO MDM HEDY WILUAN (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE “PROPOSED HW TRANSACTIONS”), WHICH CONSTITUTE AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL; AND**
- (D) **IN CONNECTION WITH THE PROPOSED BONDS ISSUE, THE PROPOSED GRANT OF SHARE CHARGE OVER 179,156,000 SHARES OF KS DRILLING PTE. LTD., A SUBSIDIARY OF THE COMPANY AND ALL OTHER SHARES IN KS DRILLING PTE. LTD. WHICH ARE NOW OR IN THE FUTURE ISSUED TO OR ACQUIRED OR SUBSCRIBED BY THE COMPANY OR IN WHICH THE COMPANY NOW OR IN THE FUTURE HAS AN INTEREST, IN FAVOUR OF OVERSEA-CHINESE BANKING CORPORATION LIMITED (AS SECURITY TRUSTEE FOR THE LENDERS) (THE “PROPOSED SECURITY ARRANGEMENT”), WHICH WHEN FORECLOSED, CONSTITUTES A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL**

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

ASIAN CORPORATE ADVISORS PTE. LTD.

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

IMPORTANT DATES AND TIMES:

Last date and time for lodgement of Proxy Form	:	25 October 2017 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	27 October 2017 at 10.00 a.m.
Place of Extraordinary General Meeting	:	19 Jurong Port Road Singapore 619093

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DEFINITIONS

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

- “Act” or “Companies Act”** : The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
- “Amendment Deeds”** : Collectively, the First Amendment Deeds and the Second Amendment Deeds
- “Approved Bank”** : A reputable bank or merchant bank as may be selected by the Company and the Warrantholders by special resolution or, failing agreement, by the Chairman of the Singapore Merchant Bankers’ Association (or any successor entity thereto) for the time being
- “Asset Sale”** : Any sale (including any sale or issuance of shares), transfer or other disposition (including by way of merger, consolidation, sale and repurchase transaction, or sale and leaseback transaction) by the Company, in one transaction or a series of related or unrelated transactions and whether at one time or over a period of time, of any part of its property or assets; provided that **“Asset Sale”** will not include:
- (a) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business on an arm’s length basis and on normal commercial terms;
 - (b) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its subsidiaries;
 - (c) any sale, transfer, assignment or other disposition to the Company or its subsidiaries made in connection with the consolidation, amalgamation or merger of the Company; and
 - (d) any sale, transfer, assignment or other disposition approved by Bondholders by way of an extraordinary resolution.

DEFINITIONS

“Associates”	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: <ul style="list-style-type: none">(i) his immediate family;(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30.0 per cent. or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30.0 per cent. or more
“Audit and Risk Management Committee”	:	The audit committee of the Company comprising of its independent directors, namely Mr. Soh Gim Teik, Mr. Lawrence Stephen Basapa and Mr. Chew Choon Soo
“Auditors”	:	The auditors for the time being of the Company or, if there shall be joint auditors, any one or more of such auditors or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of the Warrant Instrument or the terms and conditions of the Warrants, such other auditors as may be nominated by the Company
“Back-End Payment”	:	Has the same meaning ascribed to it in section 1.6 of this Circular
“Back-End Payment Agreement”	:	The letter agreement dated 1 August 2017 entered into between the Company and OCBC in relation to the Back-End Payment, as amended, modified and supplemented by a supplemental letter agreement dated 4 October 2017
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“Bond Purchase Agreements”	:	The bond purchase agreements dated 26 May 2017 entered into between the Company and each of the Lenders in relation to the purchase of the Bonds, as amended and restated by the Amendment Deeds

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“Bond Repurchase Agreements”	:	The bond repurchase agreements dated 26 May 2017 entered into between the Company and each of the Lenders in relation to the repurchase of the Existing Convertible Bonds, as amended and restated by the Amendment Deeds
“Bonds”	:	The fixed rate secured bonds due 2020 that shall be issued by the Company to the Lenders on the Closing Date pursuant to the terms and conditions of the Bond Purchase Agreements
“Calculation Agent”	:	The calculation agent (if any) as may be appointed from time to time by the Company in consultation with the Warrantholders under the terms and conditions of the Warrants
“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief Executive Officer
“Change of Control”	:	<ul style="list-style-type: none">(a) any Person or Persons acting together (save for Mr. Kris Taenar Wiluan and any party acting in concert with him) acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date;(b) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity;(c) one or more Persons (other than any Person referred to in sub-paragraph (a) above) acquires the legal or beneficial ownership of all or substantially all of the issued share capital of the Company;(d) Mr. Kris Taenar Wiluan ceases to hold his position as the Executive Chairman and CEO of the Company, unless such position(s) are immediately assumed by a successor or successors nominated by Mr. Kris Taenar Wiluan with the approval of the board of directors of the Company at the relevant point in time; or

DEFINITIONS

- (e) Mr. Kris Taenar Wiluan ceases to hold his position as the Executive Chairman and CEO of the Company as a result of ill health or disability, unless such position(s) are immediately assumed by a successor or successors nominated by Mr. Kris Taenar Wiluan with the approval of the board of directors of the Company at the relevant point in time, or, where Mr. Kris Taenar Wiluan is incapable of nominating his successor(s) as a result of his ill health or disability, by a successor or successors nominated and approved by the board of directors of the Company at the relevant point in time

“Circular”	:	This circular to Shareholders dated 12 October 2017 in relation to the Proposed Bonds Issue and the Proposed Warrants Issue, the Proposed POEL Transactions, the Proposed HW Transactions and the Proposed Security Arrangement
“Closing Date”	:	On or before 21 December 2017
“Company”	:	KS Energy Limited
“Constitution”	:	The constitution of the Company, as amended, supplemented or modified from time to time
“Contingent Deferred Amount”	:	The accrued coupon payments and redemption premium of an aggregate amount owing to OCBC by the Company under the Existing Convertible Bonds up to the Closing Date
“Control”	:	The acquisition or control of voting rights of the issued share capital of the Company, the aggregate percentage of which exceeds the percentage of voting rights held by Mr. Kris Taenar Wiluan and his concert parties at any given time or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise
“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15.0 per cent. or more of the total number of issued shares excluding treasury shares in the company (unless the SGX-ST determines that such a person is not a controlling shareholder of the company); or (b) in fact exercises control over the company
“Director”	:	A director of the Company, as at the date of this Circular

DEFINITIONS

“EGM”	:	The extraordinary general meeting of the Company to be held on 27 October 2017 at 10.00 a.m. at 19 Jurong Port Road, Singapore 619093, notice of which is set out on page N-1 to N-4 of this Circular
“EPS”	:	Earnings per Share
“Excess Cash”	:	Has the same meaning ascribed to it in section 1.7b(ii) of this Circular
“Exercise Period”	:	Has the same meaning ascribed to it in section 3.2 of this Circular
“Exercise Price”	:	Has the same meaning ascribed to it in section 3.2 of this Circular
“Existing Convertible Bonds”	:	Collectively, the aggregate S\$45.0 million 6.00 per cent convertible bonds due 2016 held by OCBC, POEL and HW, and the aggregate S\$7.5 million 6.00 per cent convertible bonds due 2016 held by TAEI
“Existing Loans”	:	An aggregate principal amount of US\$3,287,500 and S\$8,623,917 owed by the Company to POEL
“Expiration Date”	:	Has the same meaning ascribed to it in section 3.2 of this Circular
“Extended Maturity Date”	:	Has the same meaning ascribed to it in section 2.2 of this Circular
“First Amendment Deeds	:	The deeds of amendment and restatement dated 1 August 2017 entered into between the Company and each of the Lenders in respect of the Bond Purchase Agreements, Bond Repurchase Agreements and the Warrant Subscription Agreements
“FY”	:	Financial year ended or ending on 31 December, as the case may be
“Group”	:	The Company and its subsidiaries, collectively
“Group NTA”	:	The net tangible assets of the Group being equal to total assets less total liabilities and intangible assets
“HW”	:	Mdm Hedy Wiluan

DEFINITIONS

“IFA”	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser appointed to advise on the Proposed POEL Transactions and the Proposed HW Transactions, as interested person transactions under Chapter 9 of the Listing Manual
“IFA Letter”	:	The letter from the IFA dated 12 October 2017 in relation to the Proposed POEL Transactions and the Proposed HW Transactions, as interested person transactions under Chapter 9 of the Listing Manual, as set out in Appendix B to this Circular
“KS Distribution”	:	KS Distribution Pte. Ltd.
“KS Drilling”	:	KS Drilling Pte. Ltd.
“Latest Practicable Date”	:	30 September 2017, being the latest practicable date prior to the printing of this Circular
“Lenders”, “Bondholders” or “Warrantholders”	:	Collectively, OCBC, TAEL, POEL and HW
“Listing Manual”	:	The listing manual of the SGX-ST, as amended from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Maturity Date”	:	Has the same meaning ascribed to it in section 2.2 of this Circular
“Non-Interested Directors”	:	The Directors who are independent for the purpose of the Proposed POEL Transactions and the Proposed HW Transactions, namely Mr. Soh Gim Teik, Mr. Lawrence Stephen Basapa and Mr. Chew Choon Soo
“Notice of EGM”	:	The notice of EGM which is on pages N-1 to N-4 of this Circular
“OCBC”	:	Oversea-Chinese Banking Corporation Limited
“Ordinary Resolution 1”	:	The ordinary resolution to approve the Proposed Bonds Issue and the Proposed Warrants Issue
“Ordinary Resolution 2”	:	The ordinary resolution to approve the Proposed POEL Transactions
“Ordinary Resolution 3”	:	The ordinary resolution to approve the Proposed HW Transactions

DEFINITIONS

“Ordinary Resolution 4”	:	The ordinary resolution to approve the Proposed Security Arrangement
“Ordinary Resolutions”	:	Collectively, Ordinary Resolution 1, Ordinary Resolution 2, Ordinary Resolution 3 and Ordinary Resolution 4
“Person”	:	Any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include (a) the Company’s board of directors or any other governing board or (ii) the Company’s wholly-owned direct or indirect subsidiaries.
“POEL”	:	Pacific One Energy Limited
“Proposed Bonds Issue”	:	The proposed issue of an aggregate principal amount of up to S\$65.5 million Bonds by the Company to the Lenders pursuant to the Bond Purchase Agreements
“Proposed Bonds Repurchase”	:	The proposed repurchase of the Existing Convertible Bonds from the Lenders by the Company pursuant to the Bond Repurchase Agreements
“Proposed HW Transactions”	:	The proposed issue of an aggregate principal amount of S\$9.5 million Bonds and 9.5 million Warrants to HW
“Proposed POEL Transactions”	:	The proposed issue of an aggregate principal amount of S\$18.5 million Bonds and 18.5 million Warrants to POEL
“Proposed Warrants Issue”	:	The proposed issue of up to 65.5 million Warrants by the Company to the Lenders pursuant to the Warrant Subscription Agreements
“Proposed Transactions”	:	Collectively, the Proposed Bonds Issue, the Proposed Warrants Issue, the Proposed POEL Transactions, the Proposed HW Transactions and the Proposed Security Arrangement
“Second Amendment Deeds”	:	The deeds of amendment and restatement dated 4 October 2017 entered into between the Company and each of the Lenders in respect of the Bond Purchase Agreements, Bond Repurchase Agreements and the Warrant Subscription Agreements
“Security Trustee”	:	Oversea-Chinese Banking Corporation Limited
“SFA”	:	Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time

DEFINITIONS

“SGXNET”	:	A broadcast network utilised by companies listed on the SGX-ST for the purposes of sending information (including announcements) to the SGX-ST (or any other broadcast or system networks prescribed by the SGX-ST)
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shareholders”	:	The registered holders of Shares of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares
“Share Charge”	:	The share charge that shall be entered into by the Company, pursuant to which the Company shall charge, by way of first fixed charge, all its shares in KS Drilling Pte. Ltd. that are legally and beneficially owned by the Company in favour of the Security Trustee, as continuing security for the payment and discharge of the Company’s obligations under the Bonds
“Shares”	:	Ordinary shares in the capital of the Company
“Substantial Shareholder”	:	A person who has an interest or interests in voting Shares in the Company representing not less than 5.0 per cent. of all the voting Shares of the Company, as defined under Section 81 of the Companies Act
“TAEL”	:	TAEL One Partners Ltd (acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P.)
“VWAP”	:	Volume weighted average price
“Warrant Instrument”	:	The warrant instrument, to be executed by the Company, constituting the Warrants
“Warrant Shares”	:	Up to 65.5 million new Shares to be issued and allotted by the Company upon the exercise of the Warrants, subject to and in accordance with the terms and conditions of the Warrants as set out in the Warrant Instrument
“Warrant Subscription Agreements”	:	The warrant subscription agreements dated 26 May 2017 entered into between the Company and each of the Lenders in relation to the subscription of the Warrants, as amended and restated by the Amendment Deeds
“Warrants”	:	The non-listed bonus warrants carrying the right to subscribe for one Share at the Exercise Price

DEFINITIONS

Currencies, Units and Others

“%” or “per cent.”	:	Per centum or percentage
“US\$” and “US cents”	:	United States dollars and cents, respectively, the lawful currency of the United States of America
“S\$” and “cents”	:	Singapore dollars and cents, respectively, the lawful currency of the Republic of Singapore

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

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

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

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

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

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

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

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

LETTER TO SHAREHOLDERS

KS ENERGY LIMITED

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

Directors:

Mr. Kris Taenar Wiluan (Executive Chairman and CEO)
Mr. Richard James Wiluan (Executive Director)
Mr. Soh Gim Teik (Lead Independent Director)
Mr. Lawrence Stephen Basapa (Independent Director)
Mr. Chew Choon Soo (Independent Director)

Registered Office:

19 Jurong Port Road
Singapore 619093

12 October 2017

To: The Shareholders of KS Energy Limited

Dear Sir/Madam,

- (A) THE PROPOSED BONDS ISSUE AND THE PROPOSED WARRANTS ISSUE;
- (B) THE PROPOSED POEL TRANSACTIONS, WHICH CONSTITUTE AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL;
- (C) THE PROPOSED HW TRANSACTIONS, WHICH CONSTITUTE AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL; AND
- (D) THE PROPOSED SECURITY ARRANGEMENT, WHICH WHEN FORECLOSED, CONSTITUTES A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL.

1. INTRODUCTION

1.1 The Proposed Bonds Issue and the Proposed Warrants Issue

Oversea-Chinese Banking Corporation Limited (“OCBC”), Pacific One Energy Limited (“POEL”) and Ms Hedy Wiluan (“HW”) are existing holders of an aggregate principal amount of S\$45.0 million 6.00 per cent convertible bonds due 2016 a redemption price of 124.45 per cent. of the principal. While TAE One Partners Ltd (acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P.) (“TAEL”) is an existing holder of an aggregate principal amount of S\$7.5 million 6.00 per cent convertible bonds due 2016 at a redemption price of 104.19 per cent. of the principal amount (collectively, the “Existing Convertible Bonds”). As at the Latest Practicable Date, an aggregate principal amount of US\$3,287,500 and S\$8,623,917 (the “Existing Loans”) is owed by the Company to POEL. The aggregate principal amount, redemption amount and accrued interest of the Existing Convertible Bonds held by each of the Lender are as follows:

LETTER TO SHAREHOLDERS

Lender	Aggregate Principal Amount of Existing Convertible Bonds	Redemption Amount ⁽¹⁾	Accrued Interest
OCBC ⁽²⁾	S\$30,000,000	S\$37,335,000	S\$3,150,000
POEL ⁽²⁾	S\$5,500,000	S\$6,844,750	S\$577,500
HW ⁽²⁾	S\$9,500,000	S\$11,822,750	S\$997,500
TAEI ⁽³⁾	S\$7,500,000	S\$8,283,330	S\$787,500

Notes:

- (1) The redemption amount is determined based on a redemption date of 21 December 2017.
- (2) OCBC, POEL and HW are holders of an aggregate principal amount of S\$45.0 million 6.00 per cent convertible bonds due 2016.
- (3) TAEI is the holder of an aggregate principal amount of S\$7.5 million 6.00 per cent convertible bonds due 2016.

1.2 The Proposed Bonds Issue and the Proposed Warrants Issue

On 26 May 2017, the Company announced that it had on 26 May 2017 entered into separate bond purchase agreements and warrant subscription agreements with each of OCBC, TAEI, POEL, HW (collectively, the “**Lenders**”, each a “**Lender**”). As a condition for the Proposed Bonds Issue, the Company had on 26 May 2017 entered into bond repurchase agreements with each of the Lenders, pursuant to which the Existing Convertible Bonds will be purchased by the Company for cancellation. The aggregate consideration under the Proposed Bonds Issue shall be satisfied by the repurchase of the relevant Existing Convertible Bonds by the Company from each of the Lenders (the “**Proposed Bonds Repurchase**”). In addition, the Company shall also convert the Existing Loans into Bonds that shall be issued to POEL.

As announced by the Company on SGXNET, the Company had on 1 August 2017 (the “**First Amendment Deeds**”) and 4 October 2017 (the “**Second Amendment Deeds**”) and together with the First Amendment Deeds, the “**Amendment Deeds**”) entered into separate deeds of amendment and restatement with each of the Lenders to amend the terms and conditions of the bond purchase agreements (the “**Bond Purchase Agreements**”), the bond repurchase agreements (the “**Bond Repurchase Agreements**”) and the warrant subscription agreements (the “**Warrant Subscription Agreements**”).

Pursuant to the Amendment Deeds, each of the Lenders has agreed to waive the payment of the accrued interest and redemption premium under the Existing Convertible Bonds that are held by each of them respectively. As the aggregate consideration under the Proposed Bonds Issue shall be satisfied by the Proposed Bonds Repurchase, the aggregate principal amount of Bonds that shall be issued to each of the Lenders shall take into account the waiver of the accrued interest and redemption premium under the Existing Convertible Bonds by each of the Lenders. The aggregate principal amount of Bonds proposed to be issued to each of the Lenders is therefore equal to the aggregate principal amounts of Existing Convertible Bonds that are held by each of the Lenders. The details of the Proposed Bonds Issue are as follows:

LETTER TO SHAREHOLDERS

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

Based on the foregoing, the Company will issue an aggregate S\$65.5 million Bonds (the “**Proposed Bonds Issue**”) and an aggregate 65.5 million Warrants (the “**Proposed Warrants Issue**”) to the Lenders. The completion of the Proposed Bonds Issue shall be simultaneous with the completion of the Proposed Warrants Issue.

(a) Rule 829(3) of the Listing Manual

Pursuant to Rule 829(3) of the Listing Manual, any material alteration to the terms of the Existing Convertible Bonds after issue to the advantage of the holders of the Existing Convertible Bonds shall be approved by the Shareholders. As the consideration under the Proposed Bonds Issue shall be satisfied by the Proposed Bonds Repurchase, the Proposed Bonds Issue shall be deemed as an alteration of the terms of the Existing Convertible Bonds. In connection therewith, the Company proposes to seek the approval of the Shareholders for the Proposed Bonds Issue.

(b) Rules 805 and 824 of the Listing Manual

Rules 805 and 824 of the Listing Manual provide that an issuer must obtain the prior approval of shareholders in general meeting for the issuance of shares or convertible securities, unless such shares or convertible securities are issued under a general mandate obtained from shareholders in general meeting. Assuming all the Warrants are exercised by the Lenders, 65.5 million Warrant Shares will be issued, representing approximately 12.70 per cent. of the Company’s issued and paid-up share capital of 515,601,215 Shares (excluding 8,639,000 treasury shares) as at the Latest Practicable Date, and 11.27 per cent. of the enlarged issued share capital of the Company.

Pursuant to the Proposed Warrants Issue, the Company will be seeking specific approval from its Shareholders for the issue and allotment of the Warrants and the Warrant Shares, for purposes of Rules 805 and 824 of the Listing Manual.

1.3 The Proposed POEL Transactions

(a) Information on POEL

POEL is a private company incorporated in the British Virgin Islands and its directors are Mr. Kris Taenar Wiluan, Mrs. Elizabeth Amanda Wiluan and Mr. Richard James Wiluan, each of whom is related to one another. Mrs. Elizabeth Amanda Wiluan is the wife of Mr. Kris Taenar Wiluan. Mr. Richard James Wiluan is the son of Mr. Kris Taenar

LETTER TO SHAREHOLDERS

Wiluan and Mrs. Elizabeth Amanda Wiluan. Mr. Kris Taenar Wiluan, the Executive Chairman and Chief Executive Officer of the Company, directly owns 43.05 per cent. of the equity interests of POEL and 56.95 per cent. of the equity interests of POEL is held by Rija Holdings Limited, a company controlled by Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, an Executive Director of the Company.

As at the Latest Practicable Date, each of Mr. Kris Taenar Wiluan, Mr. Richard James Wiluan and Rija Holdings Limited are deemed interested in 59.79 per cent. of the issued and paid-up share capital of the Company by virtue of Section 4 of the SFA. As Mr. Kris Taenar Wiluan directly holds more than 30.0 per cent. interest in POEL, POEL is an Associate of both Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan.

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

Accordingly, each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan is regarded as an “interested person” within the meaning of Chapter 9 of the Listing Manual. The Company is regarded as an “entity at risk” within the meaning of Chapter 9 of the Listing Manual. The proposed issue of an aggregate S\$18.5 million Bonds and 18.5 million Warrants to POEL (the “**Proposed POEL Transactions**”) constitutes an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual, and is therefore subject to the approval of the Shareholders at the EGM.

Please refer to sections 4 and 6 of this Circular for information, including the rationale and benefits, on the Proposed POEL Transactions and **Appendix B** to this Circular for the IFA Letter.

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

Pursuant to Rule 812(1) of the Listing Manual, the Proposed Warrants Issue will not be offered to, *inter alia*, the Company’s directors and substantial shareholders, corporations in whose shares the Company’s Directors or Substantial Shareholders have an aggregate interest of at least 10.0 per cent. or any other person in the categories set out in Rule 812(1) of the Listing Manual to subscribe for any of the Warrants, unless such subscription is otherwise approved by the SGX-ST or specific Shareholders’ approval for such subscription is obtained.

POEL is a restricted placee pursuant to Rule 812(1) of the Listing Manual as it is a Substantial Shareholder that holds 308,281,662 shares in the Company (the “**Shares**”), representing 59.79 per cent. of the issued and paid-up share capital of the Company. In addition, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being Directors of the Company, hold more than 10.0 per cent. of the equity interests in POEL. Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders’ approval for the issue of 18.5 million Warrants to POEL is obtained. Accordingly, POEL and its Associates (including, but not limited to, HW) will abstain from voting on Ordinary Resolution 2 in relation to the Proposed POEL Transactions.

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1.4 The Proposed HW Transactions

(a) Information on HW

HW is the sister of Mr. Kris Taenar Wiluan. As Mr. Kris Taenar Wiluan is the Executive Chairman, CEO and a Controlling Shareholder of the Company, HW is an Associate of Mr. Kris Taenar Wiluan. Accordingly, HW is regarded as an “interested person” within the meaning of Chapter 9 of the Listing Manual. As at the Latest Practicable Date, HW is deemed interested in 3.99 per cent. of the issued and paid-up share capital of the Company by virtue of Section 4 of the SFA.

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

The proposed issue of an aggregate S\$9.5 million Bonds and 9.5 million Warrants to HW (the “**Proposed HW Transactions**”) constitutes an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual, and is therefore subject to the approval of the Shareholders at the EGM.

Please refer to sections 4 and 6 of this Circular for information, including the rationale and benefits, on the Proposed HW Transactions and **Appendix B** to this Circular for the IFA Letter.

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

HW is a restricted placee pursuant to Rule 812(1) of the Listing Manual as HW is the sister and hence an immediate family member of Mr. Kris Taenar Wiluan, the Executive Chairman, CEO and a Controlling Shareholder of the Company. Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders’ approval for the issue of 9.5 million Warrants to HW is obtained. Accordingly, HW and its Associates (including, but not limited to, POEL) will abstain from voting on Ordinary Resolution 3 in relation to the Proposed HW Transactions.

1.5 Information on OCBC and TAEI

(a) Information on OCBC

OCBC is the longest established Singapore bank, formed in 1932 from the merger of three local banks, the oldest of which was founded in 1912. It is now the second largest financial services group in Southeast Asia by assets and one of the world’s most highly-rated banks, with Aa1 rating from Moody’s.

As at the Latest Practicable Date, OCBC does not hold any Shares. It holds S\$30.0 million in principal amount of 6.00 per cent convertible bonds due 2017 issued by the Company. An aggregate principal amount of S\$30.0 million Bonds and 30.0 million Warrants shall be issued to OCBC pursuant to the Proposed Bonds Issue and the Proposed Warrants Issue.

(b) Information on TAEI

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

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As at the Latest Practicable Date, TAEI does not hold any Shares. TAEI holds S\$7.5 million in principal amount of 6.00 per cent convertible bonds due 2016 issued by the Company. An aggregate principal amount of S\$7.5 million Bonds and 7.5 million Warrants shall be issued to TAEI pursuant to the Proposed Bonds Issue and the Proposed Warrants Issue.

1.6 The Proposed Security Arrangement

(a) Information on KS Drilling Pte. Ltd.

As at the Latest Practicable Date, the Company owns 80.09 per cent. of the equity interest of KS Drilling. KS Drilling is an investment holding company. The principal activities of its subsidiaries are in the provision of onshore and offshore drilling services, rig management and support services, oilfield equipment ownership and leasing.

Based on the Group's latest audited consolidated financial results for FY2016, KS Drilling's contribution to the Group's net asset value ("**NAV**") based on the Company's 80.09 per cent. equity interest in KS Drilling is S\$122.3 million, which represents approximately 140.6 per cent. of the Group's NAV of S\$87.0 million. Based on the Group's latest unaudited consolidated financial statement for the 6-month period ended 30 June 2017, KS Drilling's contribution to the Group's NAV based on the Company's 80.09 per cent. equity interest in KS Drilling is S\$109.8 million, which represents approximately 181.2 per cent. of the Group's NAV of S\$60.6 million.

Based on the Group's latest audited consolidated financial results for FY2016, KS Drilling's contribution to the Group's loss after tax based on the Company's 80.09 per cent. equity interest in KS Drilling is S\$73.0 million, which represents approximately 57.8 per cent. of the Group's loss after tax of S\$126.3 million. Based on the Group's latest unaudited consolidated financial statement for the 6-month period ended 30 June 2017, KS Drilling's contribution to the Group's loss after tax based on the Company's 80.09 per cent. equity interest in KS Drilling is S\$7.0 million, which represents approximately 35.9 per cent. of the Group's loss after tax of S\$19.5 million.

A summary of the unaudited consolidated financial statements of KS Drilling and its subsidiaries for the 6-month period ended 30 June 2017, and the audited financial statements for FY2016, FY2015 and FY2014 are set out below.

Summary of consolidated statement of income

(US\$'000)	Unaudited HY2017	Unaudited HY2016	Audited FY2016	Audited FY2015	Audited FY2014
Revenue	14,738	12,839	19,704	60,044	166,040
Cost of sales	(21,584)	(23,157)	(40,351)	(74,159)	(119,914)
Gross (loss)/profit	(6,846)	(10,318)	(20,647)	(14,115)	46,126
(Loss)/profit before tax	(5,896)	(27,542)	(65,078)	(110,702)	54,972
(Loss)/profit after tax	(5,975)	(27,909)	(65,652)	(111,090)	53,232
(Loss)/profit after tax attributable to owners of KS Drilling	(5,739)	(27,489)	(65,003)	(111,448)	52,566

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Summary of consolidated statement of financial position

(US\$'000)	Unaudited HY2017	Audited FY2016	Audited FY2015	Audited FY2014
Non-current assets	350,300	349,962	387,445	452,418
Current assets	28,923	25,764	42,160	112,737
Non-current liabilities	250,156	244,805	30,107	190,155
Current liabilities	29,499	25,370	229,029	93,539
Total borrowings (including overdraft)	252,054	246,935	219,153	250,004
Shareholders' equity attributable to the owners of KS Drilling	100,327	106,074	170,343	281,693
Net working capital	(576)	394	(186,869)	19,198

Note:

(1) Figures and computation presented above are subject to rounding.

(b) Background of the Proposed Security Arrangement

As continuing security for the payment and discharge of the Company's obligations under the Bonds, the Company shall charge their rights, title, interests, benefits and claims in its equity interests of KS Drilling (the "**Charged Assets**") by way of a first ranking fixed charge in favour of the Security Trustee, subject to the terms of the share charge that shall be mutually agreed among the Company, the Security Trustee and the Lenders.

(c) Major Transaction under Chapter 10 of the Listing Manual

Following the occurrence of an event of default under the terms and conditions of the Bonds, the Security Trustee (acting on the instruction of the Lenders) shall be entitled to foreclose on all or any part of the Charged Assets. Accordingly, the foreclosure on all the Charged Assets by the Security Trustee under the Proposed Security Arrangement shall constitute a major transaction within the meaning of Chapter 10 of the Listing Manual, and shareholders' approval shall therefore be obtained to give effect to the Proposed Security Arrangement. In connection therewith, the Share Charge shall only be executed in favour of the Security Trustee upon Shareholders' approval being obtained.

1.7 Back-End Payment to OCBC

(a) Information on KS Distribution Pte. Ltd.

As at the Latest Practicable Date, the Company owns 55.35 per cent. of the equity interest of KS Distribution and is treated as a joint venture in the financial statement of the Group. KS Distribution is an investment holding company. The principal activities of its subsidiaries are in distribution business, which includes wholesale of industrial machinery and equipment, trading of tools and equipment for the marine and oil and gas industries.

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Based on the Group's latest audited consolidated financial results for FY2016, KS Distribution's contribution to the Group's NAV based on the Company's 5.35 per cent. equity interest in KS Distribution is S\$42.8 million, which represents approximately 49.2 per cent. of the Group's NAV of S\$87.0 million. Based on the Group's latest unaudited consolidated financial statement for the 6-month period ended 30 June 2017, KS Distribution's contribution to the Group's NAV based on the Company's 55.35 per cent. equity interest in KS Distribution is S\$37.0 million, which represents approximately 61.1 per cent. of the Group's NAV of S\$60.6 million.

Based on the Group's latest audited consolidated financial results for FY2016, KS Distribution's contribution to the Group's loss after tax based on the Company's 55.35 per cent. equity interest in KS Distribution is S\$10.1 million, which represents approximately 8.0 per cent. of the Group's loss after tax of S\$126.3 million. Based on the Group's latest unaudited consolidated financial statement for the 6-month period ended 30 June 2017, KS Distribution's contribution to the Group's loss after tax based on the Company's 55.35 per cent. equity interest in KS Distribution is S\$5.8 million, which represents approximately 29.7 per cent. of the Group's loss after tax of S\$19.5 million.

(b) Terms of the Back-End Payment

Further to commercial discussions between OCBC and the Company, OCBC and the Company entered into an agreement dated 1 August 2017, as amended, modified and supplemented by a supplemental letter agreement dated 4 October 2017 (the "**Back-End Payment Agreement**"), pursuant to which it was agreed, *inter alia*, that in consideration of OCBC agreeing to defer the accrued coupon payments and redemption premium owing to it under the Existing Convertible Bonds up to the Closing Date (the "**Contingent Deferred Amount**"), the Company has agreed that subject to:

- (i) the Company first selling or disposing its equity interest in KS Distribution (the "**Sale**") during the period from the Closing Date to the Maturity Date or the Extended Maturity Date (as the case may be) or such extended date as agreed in writing between the Company and OCBC; and
- (ii) the Company having excess cash available arising from the proceeds of the Sale, after setting aside funds to settle, or settling any and all of its obligations under the Bonds and any other liabilities due and owing by the Company provided that such liabilities exist at the time of such Sale and are due and payable during the period between the time of such Sale and the following 12 months thereafter) (the "**Excess Cash**"),

the Company shall utilise the Excess Cash to pay to OCBC up to the Contingent Deferred Amount as a back-end payment (the "**Back-End Payment**").

For the avoidance of doubt, the Company is not obliged to sell or dispose its equity interest in KS Distribution to OCBC or any other party pursuant to the terms of the Back-End Payment.

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(c) Waiver of Contingent Deferred Amount

The Company and OCBC further agreed that on the earlier of:

- (i) the last Back-End Payment to OCBC (such that the aggregate Back-End Payments are equivalent to the Contingent Deferred Amount);
- (ii) the Maturity Date or the Extended Maturity Date (as the case may be); or
- (iii) such extended date as agreed in writing between the Company and OCBC,

OCBC shall waive and have no further right(s), claim(s) or cause(s) of action (whether actual or contingent and whether past, present or future, incurred or owing) against the Company under or in connection with the Contingent Deferred Amount.

1.8 Extraordinary General Meeting

The Board proposes to seek the approval of the Shareholders in respect of the ordinary resolution to approve the Proposed Bonds Issue and the Proposed Warrants Issue (“**Ordinary Resolution 1**”), the ordinary resolution to approve the Proposed POEL Transactions (“**Ordinary Resolution 2**”), the ordinary resolution to approve the Proposed HW Transactions (“**Ordinary Resolution 3**”), and the ordinary resolution to approve the Proposed Security Arrangement (“**Ordinary Resolution 4**”). Ordinary Resolutions 2 and 3 are conditional on the passing of Ordinary Resolution 1. Ordinary Resolutions 1 and 4 are inter-conditional.

1.9 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information pertaining to the Proposed Bonds Issue and the Proposed Warrants Issue, the Proposed POEL Transactions, the Proposed HW Transactions and the Proposed Security Arrangement (collectively, the “**Proposed Transactions**”), and to seek Shareholders’ approval of the same at the EGM.

SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 2 AND 3 ARE CONDITIONAL ON THE PASSING OF ORDINARY RESOLUTION 1. IN THE EVENT THAT ORDINARY RESOLUTION 1 IS NOT PASSED, ORDINARY RESOLUTIONS 2 AND 3 WILL ALSO NOT BE PASSED.

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

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

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2. THE PROPOSED BONDS ISSUE

2.1 Background Information of the Proposed Bonds Issue

As the aggregate consideration under the Proposed Bonds Issue shall be satisfied by the Proposed Bonds Repurchase, the aggregate principal amount of Existing Convertible Bonds that shall be repurchased from each of the Lenders and the aggregate principal amount of Bonds that shall be issued to each of the Lender are as follows:

Name of Lender	Aggregate Principal Amount of Existing Convertible Bonds that shall be repurchased	Aggregate Principal Amount of Bonds that shall be subscribed
OCBC	S\$30.0 million	S\$30.0 million
TAEI	S\$7.5 million	S\$7.5 million
POEL ⁽¹⁾	S\$5.5 million	S\$18.5 million
HW	S\$9.5 million	S\$9.5 million

Note:

- (1) Pursuant to the Bond Purchase Agreement entered into between the Company and POEL, the Company shall also convert the Existing Loans into Bonds that shall be issued to POEL.

The Bonds are to be issued to each of the Lenders pursuant to Sections 274 and 275 of the SFA. Hence, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in respect of the Proposed Bonds Issue. Subject to Shareholders' approval being obtained at the EGM, the closing date of the Proposed Bonds Issue is expected to be on or before 21 December 2017 (the "**Closing Date**").

2.2 Principal Terms of the Proposed Bonds Issue

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

- Issue Size** : S\$65.5 million in principal amount of the Bonds that shall be issued by the Company
- Issue Price** : 100.0 per cent. of the principal amount of the Bonds
- Settlement** : Subject to fulfilment of the conditions of the Bond Purchase Agreements, settlement for the Bonds is expected to take place on the Closing Date or such other date as may be agreed between the Company and the Lenders
- Interest** : Assuming that the Closing Date is on 21 December 2017,
- (a) from and including the Closing Date to, but excluding 21 December 2018, 1.15 per cent. per annum of the principal amount outstanding of the Bonds;
 - (b) from and including 21 December 2018 but excluding 21 December 2019, 2.0 per cent. per annum of the principal amount outstanding of the Bonds;

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(c) from and including 21 December 2019 to but excluding 21 December 2020, the Maturity Date, 3.0 per cent. per annum of the principal amount outstanding of the Bonds; and

(d) subject to the exercise of the Extension Right, from and including the Maturity Date to but excluding the Extended Maturity Date, 4.0 per cent. per annum of the principal amount outstanding of the Bonds

Yield-to-Maturity : Approximately 8.0 per cent. per annum calculated on an annual compounding basis

Maturity Date : Three (3) years from the Closing Date (the “**Maturity Date**”)

Extended Maturity Date : Each holder of the Bond (the “**Bondholder**”) shall have the right (but not obligation) to direct the Company to extend the maturity date of all or only some of the Bonds held by the Bondholder for an additional year from the Maturity Date, such date being four (4) years from the Closing Date (the “**Extended Maturity Date**”) (the “**Extension Right**”)

Final Redemption : Unless previously redeemed or purchased and cancelled as provided herein, the Company will redeem the Bonds at 119.82 per cent. of its principal amount together with unpaid accrued interest thereon the Maturity Date or at 125.90 per cent. of its principal amount together with unpaid accrued interest thereon on the Extended Maturity Date (as applicable)

Status of the Bonds : The Bonds shall constitute direct, unsubordinated, unconditional and secured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves

Transferability : Freely transferable

Subject to applicable laws, a Bond may be transferred by delivery of the certificate issued in respect of that Bond, with the form of transfer on the back duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Company. No transfer of a Bond will be valid unless and until entered on the register of Bondholders

The Bonds will not be listed on the SGX-ST

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- Redemption at the Option of the Bondholder** : Bondholders shall have the option to redeem all or only some of the outstanding Bonds at the Early Redemption Amount plus accrued and unpaid interest, in the following events:
- (a) if there is a Change of Control of the Company; and
 - (b) if the Shares are de-listed from the SGX-ST or suspended from trading for a period exceeding 30 Market Days
- Redemption at the Option of the Company** : The Company shall have the option to redeem the outstanding Bonds, in whole but not in part, at the Early Redemption Amount plus accrued and unpaid interest, if at any time the aggregate principal amount of the Bonds outstanding is less than 10.0 per cent. of the aggregate principal amount originally issued. The Company will give at least 30 days' but not more than 60 days' prior notice to the holders for such redemption to the Bondholders (which notice will be irrevocable)
- Early Redemption Amount** : For each S\$50,000 in principal amount of the Bonds purchased at the issue price on the date of issue, the early redemption amount shall be determined in accordance with the following formula:
- $$\text{Early Redemption Amount} = \text{S\$50,000} \times (1 + r)^{(d/p)} - \text{AI}$$
- $r = 8.00$ per cent., expressed as a fraction
- d = number of days from and including the Closing Date to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed
- $p = 360$
- AI = the accrued interest plus the cumulative interest paid on a Bond determined in accordance with the terms and conditions of the Bonds
- Mandatory Prepayments** : Upon an Asset Sale, the Company shall use all of the proceeds of such Asset Sale, save that the Company may retain such amounts of proceeds for 12 months based on the Company's normalised working capital requirements for the preceding financial year, to redeem on the date of interest payment immediately following the date of the completion of such sale, the Bonds at the Early Redemption Amount of such Bonds, together with interest accrued up to the date fixed for such redemption, provided that the Company need not make such

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redemption unless the proceeds of such Asset Sale (when aggregated with any other proceeds of any prior Asset Sales that were not used to redeem the Bonds) exceeds S\$5.0 million (or its equivalent in foreign currencies)

Governing Law : Laws of the Republic of Singapore

2.3 Conditions Precedent of the Proposed Bonds Issue

The Proposed Bonds Issue is conditional upon, *inter alia*:

- (a) on or prior to the Closing Date, there shall have been delivered to the Lenders, each in a form reasonably satisfactory to the Lenders, any additional documents required by the Lenders and its legal advisers, which is necessary for the completion of the issue (specifically, the settlement of the subscription consideration for the Bonds);
- (b) on the Closing Date, the issuance and sale of the Bonds to the Lenders shall not be prohibited by the laws and regulations of any jurisdiction to which the Lenders or the Company is subject;
- (c) there has been no change in (i) the business, operations, management, affairs or financial condition of the Company and any member of the Group, (ii) the political or economic conditions in Singapore or (iii) the financial markets of Singapore that, in each case, (aa) is reasonably expected to have a material adverse effect, (bb) is reasonably expected to have a material effect on the ability of the Company or the Lenders to perform their respective obligations under the Bond Purchase Agreements or the Bonds, or (cc) would affect the validity or enforceability of the Bond Purchase Agreements or the Bonds;
- (d) the entry into the Bond Repurchase Agreements and such agreements remaining in full force and effect on the Closing Date; and
- (e) on or prior to the Closing Date, the Company shall convene an EGM to, *inter alia*, seek Shareholders' Approval in respect of the Proposed Bonds Issue and the Proposed Security Arrangement.

2.4 Security

As at the Latest Practicable Date, the Company owns 80.09 per cent. of the equity interest of KS Drilling Pte. Ltd.. As continuing security for the payment and discharge of the Company's obligations under the Bonds, the Company shall charge their rights, title, interests, benefits and claims in the Charged Assets by way of a first ranking fixed charge in favour of the Security Trustee, subject to the terms of the share charge that shall be mutually agreed among the Company, the Security Trustee and the Lenders.

The Share Charge shall principally provide that, at any time while the Bonds are outstanding, the Security Trustee (acting on the instruction of the Lenders) has the right to manage, perform and enforce the terms of the Share Charge relating to the Charged Shares and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Charged Assets and to

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hold, prepare for sale, process, lease, dispose of or liquidate such Charged Assets, including, without limitation, following the occurrence of an event of default under the Bonds.

2.5 Rule 829(3) of the Listing Manual

Pursuant to Rule 829(3) of the Listing Manual, any material alteration to the terms of the Existing Convertible Bonds after issue to the advantage of the holders of the Existing Convertible Bonds shall be approved by the Shareholders. As the consideration under the Proposed Bonds Issue shall be satisfied by the Proposed Bonds Repurchase, the Proposed Bonds Issue shall be deemed as an alteration of the terms of the Existing Convertible Bonds. In connection therewith, the Company proposes to seek the approval of the Shareholders for the Proposed Bonds Issue.

3. THE PROPOSED WARRANTS ISSUE

3.1 Background Information of the Proposed Warrants Issue

The number of Warrants that shall be issued to each Lender shall be as follows:

Name of Subscriber	Number of Warrants
OCBC	30.0 million
TACL	7.5 million
POEL	18.5 million
HW	9.5 million

The Warrants are to be issued to each of the Lenders pursuant to Sections 274 and 275 of the SFA. Hence, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in respect of the Proposed Warrants Issue.

3.2 Principal Terms of the Proposed Warrants Issue

The principal terms and conditions of the Warrants, to be constituted by the warrant instrument to be executed by the Company (the “**Warrant Instrument**”), are summarised as follows:

Number of Warrants	:	65.5 million non-listed Warrants
Issue Price	:	The Warrants will be issued free to the Lenders on the Closing Date.
Exercise Price	:	S\$0.045 in respect of each Warrant, being a premium of approximately 5.0 per cent. to the volume weighted average price of the Shares traded on the SGX-ST for the last 20 days immediately prior to 26 May 2017, such date being the date that the Warrant Subscription Agreements were originally made, subject to adjustment in accordance with the terms and conditions of the Warrants (the “ Exercise Price ”)

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Exercise Period : The period commencing on and including the Market Day immediately after the Closing Date and expiring at 5.00 p.m. (Singapore time) on the third (3rd) anniversary of the Closing Date (the “**Expiration Date**”) or such later expiration date as may be determined in accordance with the terms and conditions of the Warrants (the “**Exercise Period**”).

If the maturity date of any Bonds is extended by any Lender in its capacity of holder of such Bonds in accordance with the terms and conditions of the Bonds, the original Expiration Date of the Warrants held by such Lender shall automatically be extended by the same number of days. For the avoidance of doubt, any extension of the Expiration Date of the Warrants shall be effective to extend the Expiration Date of only the Warrants held by such Lender and not the Warrants held by any other Lenders.

Exercise Rights : Each Warrant entitles the holder of the Warrant (the “**Warrantholder**”) to subscribe for one Warrant Share at the Exercise Price at any time during the Exercise Period. The minimum number of Warrants which may be exercised at any one time is one million Warrants (subject to any proportionate adjustments under the terms and conditions of the Warrants) (the “**Minimum Exercise Amount**”), provided that any excess number of Warrants to be exercised over and above the Minimum Exercise Amount of one million Warrants at such time may be undertaken incrementally in board lots of the Minimum Exercise Amount of one million Warrants or integral multiples thereof.

Status of New Shares : The Warrant Shares will upon issue and allotment, rank *pari passu* in all respects with the then existing Shares, except that they will not be entitled to participate in any dividends, rights, allotments or other distributions where the record date is before the date of issue and allotment of the Warrant Shares.

Transfer : A Warrant may at any time be transferred, charged, assigned, pledged or otherwise disposed by the Warrantholder to any person in its sole discretion provided that it has first given prior written notice to the Company.

Adjustments : The Exercise Price and the number of Warrants to be held by the Warrantholders are subject to adjustments under certain circumstances provided for in the terms and conditions of the Warrants as contained in the Warrant Instrument. Such circumstances relate to:

- (a) issue by the Company of Shares credited as fully paid-up by way of capitalisation of profits or reserves;

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- (b) a capital distribution made by the Company to Shareholders whether on a reduction of capital or otherwise;
- (c) an offer or invitation made by the Company to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights or bonus issue of company warrants; or
- (d) an issue (otherwise than pursuant to a rights issue available to all the Shareholders, and other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend or an issue of Shares arising from rights of conversion into, or exchange or subscription for Shares) of Shares by the Company, if the total effective consideration for each Share is less than 90.0 per cent. of the weighted average price for trades done on the SGX-ST for the full Market Day on which the placement or subscription agreement is signed in relation to such issue; or
- (e) any consolidation, subdivision, reclassification or conversion of the Shares.

Please refer to **Appendix A** to this Circular for the provisions which the Company will use to determine adjustments of the Exercise Price and/or number of Warrants.

Any additional Warrants issued pursuant to such adjustments shall rank *pari passu* with the Warrants issued under the Proposed Warrants Issue and will for all purposes form part of the same series.

- Notice of Expiration** : The Company shall, not later than one month before the Expiration Date, announce the Expiration Date on the SGXNET and take reasonable steps to notify the Lenders in writing of the Expiration Date and such notice shall be delivered by post to the addresses of the Warrantholders.
- Alteration to Terms** : No material alteration to the terms of the Warrants after the issue thereof to the advantage of the Warrantholders shall be made, unless the alterations are made pursuant to the terms and conditions of the Warrants or the prior approval of the Shareholders in general meeting has been sought.

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- Winding Up** : In the event a notice is given by the Company to its members to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up by the Company and:
- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholder shall be a party, the terms of such scheme of arrangement shall be binding on the Warrantholder; and
 - (b) in any other case, the Company shall, on the same date it despatches such notice to each member of the Company, give notice thereof to the Warrantholder in accordance with the terms and conditions of the Warrants, thereupon the Warrantholder shall be entitled, upon and subject to the terms and conditions of the Warrants, at any time within the notice period of the general meeting of members to consider a winding up of the Company but in any event not later than 10 business days prior to the proposed general meeting, to elect to exercise the Warrants whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Warrant Shares to the Warrantholder credited as fully paid and the Company shall thereafter immediately give notice to the Warrantholder of such allotment in accordance with the terms and conditions of the Warrants.
- Subject to the foregoing, if the Company is wound-up for any other reason, all Warrants which have not been exercised at the date of the passing of such resolution shall lapse and the Warrants shall cease to be valid for any purpose.
- Further Issue** : Subject to the terms and conditions of the Warrants, the Company shall be at liberty to issue Shares to the Shareholders either for cash or as bonus distributions and further subscription rights upon such terms and conditions as the Company sees fit but the Warrantholders shall not have any participating rights in such issue unless otherwise resolved by the Company in general meeting or in the event of a takeover offer to acquire Shares.
- Governing Law** : Laws of the Republic of Singapore

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3.3 Conditions Precedent of the Proposed Warrants Issue

The Proposed Warrants Issue is conditional upon, *inter alia*:

- (a) the approval of the SGX-ST in respect of the issue and listing of and quotation for the Warrant Shares, subject to any adjustments to the number and exercise price as may be made in accordance with the terms and conditions of the Warrants;
- (b) the Lenders and the Company shall have obtained all necessary external and internal consents and approvals for the subscription or (as the case may be) issuance of the Warrants and the Warrant Shares, and all relevant regulatory, shareholders' and government approvals, if necessary;
- (c) as at the Closing Date, no material adverse change in (i) the financial condition, earnings, operations, assets, prospects or business of the Company or the consolidated financial condition, earnings, operations, assets, prospects or business of the Group, whether or not arising in the ordinary course of business; (ii) the ability of the Group to perform and comply with its obligations under any agreements related to the issue of the Warrants; or (iii) the validity, legality or enforceability of any agreements related to the issue of the Warrant; and
- (d) the issue of the Warrants and the right of the Lenders to subscribe for the Warrants not being prohibited by any law, order, rule, regulation, directive, policy or request (whether or not having the force of law) promulgated or issued by any legislative or regulatory body, including without limitation, the Monetary Authority of Singapore.

3.4 Exercise Price

The Exercise Price of S\$0.045 represents a premium of approximately 5.0 per cent. to the volume weighted average price of S\$0.043 for trades done on the SGX-ST for the last 20 Market Days immediately prior to 26 May 2017, such date being the date that the Warrant Subscription Agreements were originally made. The Exercise Price was agreed based on arm's length negotiations between the Lenders and the Company and was based on commercial considerations made by the Company.

3.5 Shares to be issued pursuant to the exercise of the Warrants

As at the Latest Practicable Date, the Company has an issued share capital of 515,601,215 Shares (excluding 8,639,000 treasury shares). The maximum number of Warrant Shares to be allotted and issued by the Company, pursuant to the full exercise of the Warrants, is 65.5 million Warrant Shares, representing approximately 12.70 per cent. of the existing issued share capital of the Company as at the Latest Practicable Date, and representing approximately 11.27 per cent. of the enlarged issued share capital of the Company on a diluted basis.

The Warrant Shares will be issued free from all encumbrances and will rank *pari passu* in all respects with and carry all rights similar to the existing issued Shares of the Company, except that they will not rank for any dividends, rights, allotments or other distributions, accruing on a record date for determining such entitlements, which shall be the date which falls on or before the date of issue of the Warrant Shares.

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3.6 Adjustment and Modification

In compliance with Rules 829 and 830 of the Listing Manual, the Company will:

- (a) announce any adjustment made pursuant to the exercise price pursuant to Rule 829(1) of the Listing Manual;
- (b) announce the expiry of the Warrants and a notice of the expiry will be sent to the holders of the Warrants at least one month before the expiry date; and
- (c) obtain Shareholders' approval at a general meeting of the Shareholders for any material modification to the terms of the Warrants which is for the benefit of the holders of the Warrants, unless such modification is made pursuant to the terms of the Warrants.

3.7 Use of Proceeds

Assuming that all the 65.5 million Warrants are exercised in full at the Exercise Price of S\$0.045 per Warrant Share, the Proposed Warrants Issue will raise approximately S\$2.95 million and the net proceeds of the Proposed Warrants Issue, after deducting estimated expenses of approximately S\$0.02 million, will amount to approximately S\$2.93 million. The Company expects to utilise the net proceeds from the Proposed Warrants Issue in the following manner:

- (a) approximately 50.0 per cent. to be used for funding debt repayments; and
- (b) approximately 50.0 per cent. to be used for operating overheads.

Pending the deployment of the net proceeds, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities and/or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Company.

Shareholders should note that there is no guarantee that the Company will obtain the gross proceeds of approximately S\$2.95 million as the Lenders have the right, but not the obligation, to exercise the Warrants upon the terms and subject to the conditions set out in the terms and conditions of the Warrant Instrument.

In the event the Warrants are exercised by the Lenders, the Company shall announce the use of the proceeds as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage disclosed in this Circular, and where there is any material deviation from the stated use of proceeds, the Company shall announce the reasons for such deviation. In the event the Warrants are exercised by the Lenders, the Company shall provide a status report on the use of proceeds in its annual report.

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3.8 Directors' Opinion

The Directors are of the opinion that, after taking into consideration the Group's present bank facilities, internal resources, operating cash flow and the net proceeds of the Proposed Warrants Issue, the working capital available to the Group is sufficient to meet its present requirements.

3.9 Dilutive Effect

The issue and allotment of the Warrant Shares upon the exercise of the Warrants will have a dilutive effect on Shareholders as described in section 8 of this Circular.

3.10 Rules 804 and 812 of the Listing Manual

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

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

- (a) an issuer's directors and substantial shareholders;
- (b) immediate family members of the directors and substantial shareholders;
- (c) Substantial Shareholders, related companies (as defined in Section 6 of the Act), associated companies and sister companies of the issuer's substantial shareholders;
- (d) corporations in whose shares the issuer's directors and substantial shareholders have an aggregate interest of at least 10.0 per cent.; and
- (e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d) above.

POEL is a Substantial Shareholder that holds 308,281,662 Shares, representing 59.79 per cent. of the issued and paid-up share capital of the Company. In addition, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being Directors of the Company, hold more than 10.0 per cent. of the equity interests in POEL. Accordingly, POEL is a restricted placee pursuant to Rule 812(1) of the Listing Manual.

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

Pursuant to Rule 812(2) of the Listing Manual, Rule 812(1) of the Listing Manual will not apply if specific Shareholders' approvals for the issue of 18.5 million Warrants to POEL and 9.5 million Warrants to HW are obtained.

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3.11 Abstention from Voting

Pursuant to Rule 812(2) of the Listing Manual, a restricted placee under Rule 812(1) of the Listing Rules and his Associates must abstain from voting on the resolution approving a placement to the restricted placee. Accordingly,

- (a) POEL will abstain, and will ensure that its Associates will abstain, from voting on Ordinary Resolution 1 to approve the Proposed Bonds Issue and Proposed Warrants Issue, and the Ordinary Resolution 2 to approve the Proposed POEL Transactions. It will also decline to accept any appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution 1 and Ordinary Resolution 2 at the EGM unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of such Ordinary Resolution 1 and Ordinary Resolution 2 at the EGM; and
- (b) HW will abstain, and will ensure that its Associates will abstain, from voting on the Ordinary Resolution 1 to approve the Proposed Bonds Issue and Proposed Warrants Issue, and the Ordinary Resolution 3 to approve the Proposed HW Transactions. It will also decline to accept any appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution 1 and Ordinary Resolution 3 at the EGM unless the Shareholder concerned shall have given instructions in the proxy form as to the manner in which his votes are to be cast in respect of such Ordinary Resolution 1 and Ordinary Resolution 3 at the EGM.

3.12 Approval in-principle

On 29 September 2017, the Company received approval in-principle for the listing and quotation of the Warrant Shares on the Mainboard of the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) specific shareholders' approval for the issue of the Warrant Shares to be obtained at the EGM to be convened;
- (c) a written undertaking from the Company that it will comply with Rules 704(30) and 1207(20) of the Listing Manual in relation to the use of the proceeds from the Proposed Warrants Issue and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcement on use of proceeds and in the annual report;
- (d) a written undertaking from the Company that it will comply with Rule 803 of the Listing Manual;
- (e) a written undertaking from the Company that the terms and conditions of the Warrants do not permit the adjustments to the exercise price and/or the number of Warrants, other than in compliance with Rule 829(1) of the Listing Manual;
- (f) a written undertaking from the Company to announce any adjustment made pursuant to Rule 829(1) of the Listing Manual;

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- (g) a written undertaking from the Company that it will comply with Rules 830 and 831 of the Listing Manual; and
- (h) announcement of the conditions under which the exercise price and/or the number of Warrants may be adjusted.

The approval in-principle granted by the SGX-ST to the Company for the listing and quotation of the new Warrant Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Proposed Warrants Issue, the Warrants, the Warrant Shares, the Company and/or its subsidiaries.

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

4.1 Chapter 9 of the Listing Manual

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

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

- (a) the term “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9.
- (b) the term “entity at risk” means:
 - (i) the issuer;
 - (ii) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (iii) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the issuer and its subsidiaries (the “listed group”), or the listed group and its interested person(s) has control over the associated company.
- (c) the term “interested person”, in the case of a company, means:
 - (i) a director, chief executive officer, or Controlling Shareholder of the issuer; or
 - (ii) an Associate of any such director, chief executive officer, or Controlling Shareholder.
- (d) the term “interested person transaction” means a transaction between an entity at risk and an interested person.

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4.2 The Proposed POEL Transactions

(a) Compliance with Chapter 9 of the Listing Manual

Rija Holdings Limited, which is the holding company of POEL, is controlled by Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan. Mr. Kris Taenar Wiluan is the Executive Chairman, CEO and a Controlling Shareholder of the Company. Mr. Richard James Wiluan is the Executive Director and a Controlling Shareholder of the Company. As at the Latest Practicable Date, by virtue of Section 4 of the SFA, they are deemed interested in 59.79 per cent. of the issued and paid-up share capital of the Company and for the purposes of Chapter 9 of the Listing Manual are considered Controlling Shareholders. As Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan indirectly hold more than 30.0 per cent. interest in POEL, POEL is an Associate of both Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan.

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

Based on the foregoing,

- (i) the issue of an aggregate S\$18.5 million principal amount of Bonds by the Company to POEL pursuant to the Proposed Bonds Issue; and
- (ii) the issue of 18.5 million Warrants by the Company to POEL pursuant to the Proposed Warrants Issue,

would each constitute an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual.

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

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

With respect to the Proposed POEL Transactions, the amount at risk to the Company is a combination of:

- (i) the aggregate interest rate payable (including the redemption premium) on the \$18.5 million in aggregate principal amount of Bonds issued to POEL from the Issue Date up to the Extended Maturity Date, being S\$6.7 million;
- (ii) the value of the Share Charge granted under the Proposed Security Arrangement, being S\$34.5 million; and
- (iii) the aggregate amount payable upon exercise of the Warrants issued to POEL at the Exercise Price, being S\$0.8 million.

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Based on the foregoing, the amount at risk amounts to approximately S\$42.0 million representing approximately 48.4 per cent. of the Group NTA of S\$86.7 million as at 31 December 2016. Accordingly, as the amount at risk is more than 5.0 per cent. of the Group NTA, Shareholders' approval is required for the Proposed POEL Transactions.

(c) **Rationale and Benefits of the Proposed POEL Transactions**

Please refer to section 6 of this Circular for the rationale and benefits of the Proposed Transactions, including the Proposed POEL Transactions.

4.3 The Proposed HW Transactions

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

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

Based on the foregoing,

- (i) the issue of an aggregate S\$9.5 million principal amount of Bonds by the Company to HW pursuant to the Proposed Bonds Issue,; and
- (ii) the issue of 9.5 million Warrants by the Company to HW pursuant to the Proposed Warrants Issue,

would each constitute an "interested person transaction" within the meaning of Chapter 9 of the Listing Manual.

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

With respect to the Proposed HW Transactions, the amount at risk to the Company is a combination of:

- (i) the aggregate interest rate payable (including redemption premium) on the S\$9.5 million in aggregate principal amount of Bonds issued to HW from the Issue Date up to the Extended Maturity Date, being S\$3.4 million;
- (ii) the value of the Share Charge granted under the Proposed Security Arrangement, being S\$17.7 million; and
- (iii) the aggregate amount payable upon exercise of the Warrants issued to HW at the Exercise Price, being S\$0.4 million.

Based on the foregoing, the amount at risk amounts to approximately S\$21.5 million representing approximately 24.8 per cent. of the latest audited consolidated NTA of the Group of S\$86.7 million as at 31 December 2016. Accordingly, as the amount at risk is more than 5.0 per cent. of the Group NTA, Shareholders' approval is required for the Proposed HW Transactions.

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(c) Rationale and Benefits of the Proposed HW Transactions

Please refer to section 6 of this Circular for the rationale and benefits of the Proposed Transactions, including the Proposed HW Transactions.

4.4 Current and On-going Interested Person Transactions

Name of Interested Person	Particulars of Interested Person Transactions	Aggregate value of all IPTs for the current financial year up to the Latest Practicable Date (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 for the current financial year up to the Latest Practicable Date (excluding transactions less than \$100,000)
PT Dwi Sumber Arca Waja (" DSAW "), its subsidiaries and its associates (" DSAW Group ") ⁽¹⁾	Provision of goods and services to and from the DSAW Group	—	— ⁽³⁾
PT KS Drilling Indonesia (" JVC ") and its subsidiaries (" JVC Group ") ⁽²⁾	Expected interest income on the Additional Loan ⁽⁵⁾	S\$1,168,594	—
	Expected interest income on Financing loan		S\$3,562,016 ⁽⁴⁾
	Injection of shareholders' loans pursuant to the Financing provided by KS Drilling Pte. Ltd. to JVC Group ⁽⁶⁾	—	S\$302,259 ⁽⁴⁾
POEL	Interest payable on Existing Loans	S\$266,866	—

Notes:

- (1) As at the Latest Practicable Date, PT Citra Agramasiniti Nusantara ("**CAIN**") holds 48.98 per cent. of the issued and paid-up share capital of DSAW. CAIN is a company established in Indonesia and is also a direct shareholder of 5.36 per cent. of the issued and paid-up share capital of PT Citra Tubindo Engineering. PT Citra Tubindo Engineering is a subsidiary of DSAW with DSAW holding 94.64 per cent. of its issued and paid-up share capital. CAIN and Mr. Kris Taenar Wiluan also hold 95.0 per cent. and 5.0 per cent., respectively, of the issued and paid-up share capital of PT Unimas Motor Wasta ("**UMW**") and UMW in turn holds 0.33 per cent. of the issued and paid-up share capital of DSAW. As at the Latest Practicable Date:
- (a) Mr. Kris Taenar Wiluan and HW are shareholders of CAIN and they hold 70.0 per cent. and 30.0 per cent. of the issued and paid-up share capital of CAIN, respectively. Mr. Kris Taenar Wiluan and HW are the President Commissioner and Commissioner of CAIN, respectively.
- (b) Pursuant to Section 7 of the Companies Act and through his interest in CAIN, Mr. Kris Taenar Wiluan is deemed interested in 93.54 per cent. of the issued and paid-up share capital of DSAW. HW is similarly deemed interested in 93.54 per cent. of the issued and paid-up share capital of DSAW. The remaining 6.46 per cent. of the issued and paid-up share capital of DSAW is held by unrelated third parties.

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As at the Latest Practicable Date, Mr. Kris Taenar Wiluan (together with his Associate, HW) is, in aggregate, interested in 93.54 per cent. of the issued and paid-up share capital of DSAW. DSAW is thus an associate of Mr. Kris Taenar Wiluan and HW, and an interested person of the Company.

- (2) As at the Latest Practicable Date, JVC is 51.0 per cent. owned by CAIN and 49.0 per cent. owned by KS Drilling Pte. Ltd.. For the reasons set out above, Mr. Kris Taenar Wiluan (together with his Associate, HW) is, in aggregate, interested in 51.0 per cent. of the issued and paid-up share capital of JVC. JVC is thus an associate of Mr. Kris Taenar Wiluan and HW, and an interested person of the Company.
- (3) At an extraordinary general of the Company held on 26 April 2012, the independent Shareholders granted approval for certain interested person transactions, to be entered into between the Company, its subsidiaries and Associated Companies or any of them, and the DSAW Group, pursuant to Chapter 9 of the Listing Manual (the “**DSAW IPT Mandate**”). The DSAW IPT Mandate was subsequently renewed at the annual general meetings held on 30 April 2013, 29 April 2014, 29 April 2015, 29 April 2016 and 27 April 2017.
- (4) At an extraordinary general of the Company held on 7 December 2012, the independent Shareholders granted approval for certain interested person transactions, to be entered into between the Company, its subsidiaries and Associated Companies or any of them, and the JVC Group, pursuant to Chapter 9 of the Listing Manual (the “**JVC IPT Mandate**”). The JVC IPT Mandate was subsequently renewed at the annual general meetings held on 30 April 2013, 29 April 2014, 29 April 2015, 29 April 2016 and 27 April 2017.
- (5) 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 cent. per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at the Latest Practicable Date was US\$14.2 million.
- (6) With reference to the JVC IPT Mandate, 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., an 80.09 per cent. subsidiary of the Company, to PT JSR, accrue interest at a rate of 7 per cent. per year and the principal amount outstanding as at Latest Practicable Date was US\$37.7 million which has been used to finance the acquisition of the jack-up rig named “KS Java Star” and additional equipment required by the rig. Included in the US\$37.7 million balance is US\$0.3 million that has been advanced during the current financial year to the Latest Practicable Date.

Save for the above, there are no present and ongoing interested person transactions entered into between the Group and each of HW, POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan for the current financial year up to the Latest Practicable Date that need to be aggregated with the value of the transactions under the Proposed POEL Transactions and the Proposed HW Transactions pursuant to Rule 906 of the Listing Manual.

4.5 Total Value of Interested Person Transactions

- (a) The total value of all interested person transactions entered into by the Company with POEL, including transactions which are less than S\$100,000 and the Proposed POEL Transactions, for the current financial year up to the Latest Practicable Date is S\$42.3 million, representing approximately 48.8 per cent. of the Group NTA.
- (b) The total value of all interested person transactions entered into by the Company with HW, including transactions which are less than S\$100,000 and the Proposed HW Transactions, for the current financial year up to the Latest Practicable Date is S\$21.6 million, representing approximately 24.9 per cent. of the Group NTA.

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- (c) The total value of all interested person transactions entered into by the Company, including transactions which are less than S\$100,000, the Proposed POEL Transactions and the Proposed HW Transactions, for the current financial year up to the Latest Practicable Date is S\$69.0 million, representing approximately 79.6 per cent. of the Group NTA.

4.6 IFA Letter

(a) **Opinion of the IFA**

Asian Corporate Advisors Pte. Ltd. has been appointed as the independent financial adviser (“**IFA**”) to the Directors who are independent for the purpose of the Proposed POEL Transactions and the Proposed HW Transactions, namely Mr. Soh Gim Teik, Mr. Lawrence Stephen Basapa and Mr. Chew Choon Soo (the “**Non-Interested Directors**”) to opine on whether the Proposed POEL Transactions and the Proposed HW Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its Shareholders.

A copy of the letter dated 12 October 2017 from the IFA (the “**IFA Letter**”), containing its opinion in full, is set out in **Appendix B** of this Circular. Shareholders are advised to read the letter in its entirety.

Taking into consideration the factors set out in the IFA Letter and subject to the assumptions and qualifications contained therein and the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that, from a financial point of view, the Proposed POEL Transactions and the Proposed HW Transactions are on normal commercial terms and are not prejudicial to the interests of the Company and the Shareholders.

(b) **Extract from the IFA Letter**

Shareholders are also advised to read paragraph 5.2(c) of the IFA Letter in relation to a statement on material uncertainty related to going concern as contained in the Independent Auditors’ Report dated 31 March 2017 on the Group’s and Company’s financial statements for FY2016. **Shareholders are advised to read the extract below carefully. The extract should be considered in the context of the entirety of the IFA Letter and the Circular.**

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(c) Material uncertainty related to going concern

We note that the Independent Auditors' Report dated 31 March 2017 ("**Independent Auditors' Report**") on the Group's and Company's financial statements for FY2016 contained a statement on material uncertainty related to going concern. The following paragraphs as set out in italics below are extracted from the Independent Auditors' Report (pages 52 to 53 of the AR2016) and note 2.1 to the audited financial statements of the Group for FY2016. We recommend that Non-Interested Directors advise Shareholders to read this section of the AR2016 carefully:–

"Material uncertainty related to going concern

We draw attention to:

- *Note 2.1 to the financial statements which indicates that the Group incurred a net loss of \$126,318,000 during the year ended 31 December 2016 and, as of that date, the Group's and the Company's current liabilities exceed current assets by \$88,197,000 and \$99,447,000 respectively;*
- *Note 2.1 and Note 22 to the financial statements which state the Group's convertible bonds of \$61,560,000 and short-term borrowings from a shareholder of \$13,302,000 are subject to restructuring as at the date of this report; and*
- *Note 30 to the financial statements which indicates that the Group has a capital commitment of \$244,782,000 for an asset under construction due for delivery on 31 December 2017.*

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

- (i) The Group's ability to reach agreement with the lenders to restructure the convertible bonds with a carrying amount of \$61,560,000 and short-term borrowings with a carrying amount of \$13,302,000. Such restructuring includes the extension of the maturity date of the restructured debt obligations beyond the next twelve months from the reporting date.*
- (ii) From (i) above, the Group is able to complete the re-financing of bond obligations thereby avoiding the triggering of cross default clauses on other borrowings of \$343,124,000, currently classified as non-current liabilities, causing them to become repayable on demand.*
- (iii) The finalisation of a bridging loan of \$5,000,000 from a financial institution.*
- (iv) The Group's ability to complete the financing arrangement with an identified financier for the capital commitment of \$244,782,000 for an asset under construction due on 31 December 2017.*

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

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter."

Note 2.1 to the Group's audited financial statements for FY2016 are reproduced in italics below.

"2.1 Going concern basis of accounting

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

The Group has recognised a loss after tax of \$126,318,000 (2015: \$260,432,000) for the year ended 31 December 2016 and as at that date, the Group's and the Company's current liabilities exceed current assets by \$88,197,000 and \$99,447,000 (2015: \$349,852,000 and \$78,845,000) 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 2016 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the (i) Group's operating activities, (ii) asset divestment plans and (iii) financing plans.

(i) Operating activities

Although the Group expects the overall operating cash flow to remain negative in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(ii) Asset divestment plans

The Group plans to divest certain non-core assets.

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(iii) Financing plans

The Group is currently in negotiations with the bondholders and a shareholder to restructure some of its debts by rolling over an aggregated outstanding sum of \$74,862,000, comprising \$61,560,000 of outstanding convertible bonds and \$13,302,000 of shareholder loan, together with the cumulative accrued interest and bond premium, to be repayable more than twelve months from the reporting date, without triggering cross default clauses on other borrowings of \$343,124,000, currently classified as non-current liabilities, causing them to become repayable on demand.

The Group has also applied for and is currently awaiting finalisation of a bridging loan of \$5,000,000 from a financial institution.

The Group has capital commitment of \$244,782,000 as at 31 December 2016 for an asset under construction due on 31 December 2017. The Group plans to seek the necessary financing closer to the date of delivery from an identified financier.

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

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

- The eventual conclusion and timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers;*
- The realisation of the asset divestment plans, and the timing and value of the cash proceeds to be raised from such divestments; and*
- The successful implementation of the financing plans.*

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

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We further note from the results announcement for HY2017 dated 14 August 2017 that the going concern of the Group is premised on, *inter alia*, continuing availability of credit facilities to the Group for at least another twelve months from end of HY2017, and the sufficiency of cash flows to be generated from (i) the Group's operating activities; (ii) asset divestment plans and (iii) other financing plan being the Proposed Bonds Repurchase and the Proposed Bonds Issue.

The following paragraphs as set out in italics below are extracted from the results announcement dated 14 August 2017 for HY2017 (page 14 – 15). We recommend that Non-Interested Directors advise Shareholders to read this section of the results announcement dated 14 August 2017 carefully:–

“Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the period ended 30 June 2017 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. Operating activities

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

ii. Assets divestment plans

The Group plans to divest certain non-core assets.

iii. Financing plans

The Company is currently finalising agreements with its bondholders and a shareholder to repurchase the 2013 Bonds and the 2015 Bonds with a combined outstanding value of \$63.0 million and shareholder loans with an outstanding value of \$13.1 million and issue a new secured fixed rate bond due in 2020.”

It should be noted that the Proposed Bonds Issue, if approved by the Shareholders, may not address the Group's going concern issue in its entirety as the ability of the Group to fulfil its ongoing obligation going forward will also depend on, *inter alia*, market condition, revenue as well as expenses. In addition, it should be noted that in the event that the Proposed Bonds Issue is not approved by the Shareholders, there is no certainty that the Lenders will further extend the maturity date for the Existing Bonds or call for an event of default for the Existing Bonds.

LETTER TO SHAREHOLDERS

4.7 Opinion of the Audit and Risk Management Committee

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

4.8 Abstention from Voting

Rule 919 of the Listing Manual requires that interested persons and their Associates must not vote on any Shareholders' resolution approving any interested person transactions.

(a) Proposed POEL Transactions

Each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 2 to approve the Proposed POEL Transactions.

In addition, each of POEL, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan will abstain, and has undertaken to ensure that his/her/its Associates will abstain, from voting on Ordinary Resolution 1 to approve the Proposed Bonds Issue and the Proposed Warrants Issue, Ordinary Resolution 3 to approve the Proposed HW Transactions and Ordinary Resolution 4 to approve the Proposed Security Arrangement.

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

(b) Proposed HW Transactions

HW will abstain, and has undertaken to ensure that her Associates will abstain, from voting on Ordinary Resolution 3 to approve the Proposed HW Transactions.

In addition, HW will abstain, and has undertaken to ensure that her Associates will abstain, from voting on Ordinary Resolution 1 to approve the Proposed Bonds Issue and the Proposed Warrants Issue, Ordinary Resolution 2 to approve the Proposed POEL Transactions and Ordinary Resolution 4 to approve the Proposed Security Arrangement.

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

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

LETTER TO SHAREHOLDERS

4.9 Directors' Confirmation

The Directors have confirmed that:

- (a) the terms and conditions of the Proposed POEL Transactions are: (i) not more favourable than the terms and conditions stipulated in the Bond Purchase Agreements entered into with OCBC, HW and TAEI; and (ii) in line with the terms and conditions stipulated in the Bond Purchase Agreements entered into with HW, TAEI and OCBC (save for the Back-End Payment for OCBC); and
- (b) the terms and conditions of the Proposed HW Transactions are: (i) not more favourable than the terms and conditions stipulated in the Bond Purchase Agreements entered into with OCBC, POEL and TAEI; and (ii) in line with the terms and conditions stipulated in the Bond Purchase Agreements entered into with POEL, TAEI and OCBC (save for the Back-End Payment for OCBC).

4.10 Abstention from Recommendation

Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan, being the interested Directors, have also abstained from making any recommendation to Shareholders on the Proposed Bonds Issue, the Proposed Warrants Issue, the Proposed POEL Transactions, the Proposed HW Transactions and the Proposed Security Arrangement.

5. THE PROPOSED SECURITY ARRANGEMENT

5.1 Compliance with Chapter 10 of the Listing Manual

Following the occurrence of an event of default under the terms and conditions of the Bonds, the Security Trustee (acting on the instruction of the Lenders) shall be entitled to foreclose on all or any part of the Charged Assets. Any foreclosure proceeds with respect to such Charged Assets would be shared by the Lenders in proportion to the outstanding amount of Bonds.

Accordingly, the foreclosure on all the Charged Assets by the Security Trustee under the Proposed Security Arrangement shall constitute a major transaction within the meaning of Chapter 10 of the Listing Manual, and shareholders' approval shall therefore be obtained to give effect to the Proposed Security Arrangement. In connection therewith, the Share Charge shall only be executed in favour of the Security Trustee upon Shareholders' approval being obtained.

Please refer to section 2 of this Circular on the Proposed Bonds Issue. Please refer to section 6 of this Circular for the rationale and benefits of the Proposed Transactions, including the Proposed Security Arrangement.

LETTER TO SHAREHOLDERS

5.2 Listing Manual Computations

Based on the latest announced unaudited consolidated financial statement of the Group for the financial period ended 30 June 2017, the relative figures for the foreclosure on all the Charged Assets under the Proposed Security Arrangement computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Relative Bases (per cent.)
1006(a) Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets ⁽¹⁾	181.2
1006(b) Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽²⁾	44.0
1006(c) Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued shares, excluding treasury shares	N/A
1006(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	N/A

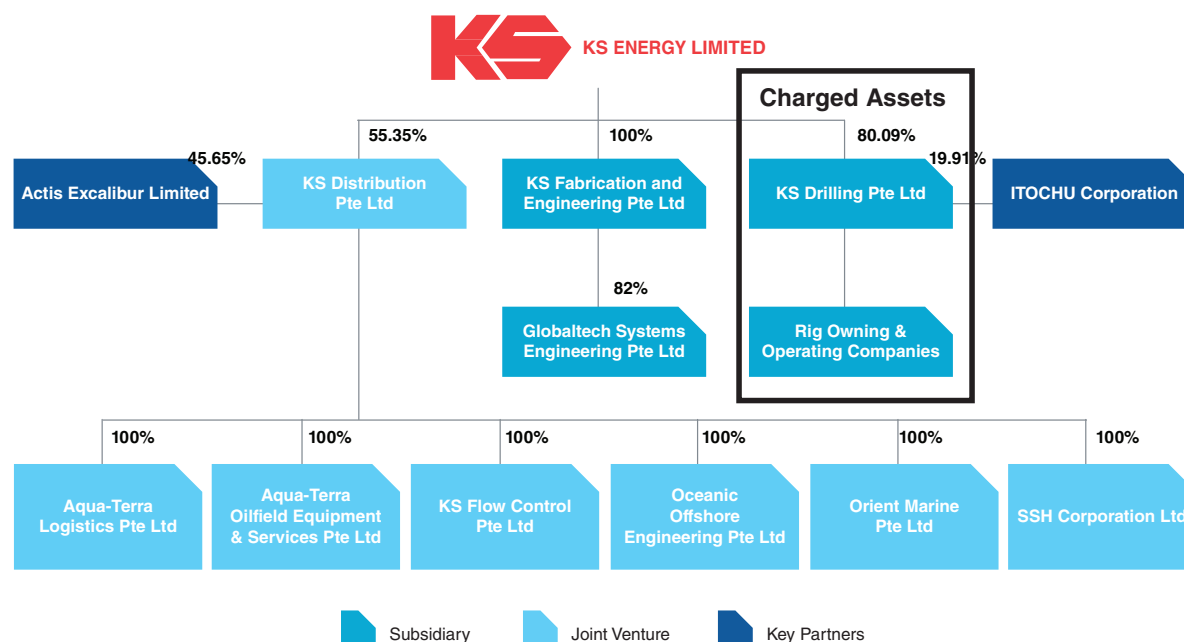
Notes:

- (1) The NAV of the assets to be disposed of is approximately S\$109.8 million. The Group's NAV based on the unaudited consolidated financial statement of the Group for the financial period ended 30 June 2017 is S\$60.6 million. Due to the borrowings of the Company, the Group's NAV of S\$60.6 million as at 30 June 2017 was less than the NAV of KS Drilling (based on the Company's 80.09 per cent. equity interests in KS Drilling).
- (2) The net profits before income tax, minority interests and extraordinary items attributable to assets to be disposed of is approximately S\$(8.6) million and the Group's net profits based on the unaudited consolidated financial statement of the Group for the 6-month financial period ended 30 June 2017 is S\$(19.5) million.
- (3) For the purposes of the Proposed Security Arrangement, "market capitalisation" shall be determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the original Bond Purchase Agreements. Based on the 515,601,215 shares then in issue multiplied by S\$0.0407, being the volume weighted average price of such shares transacted on the market day preceding the date of the original Bond Purchase Agreements, the market capitalisation of the Company is approximately S\$21.0 million.

LETTER TO SHAREHOLDERS

5.3 Group Structure

In the event of a foreclosure on all the Charged Assets by the Security Trustee under the Proposed Security Arrangement, the Group will continue to operate its distribution and engineering business segments, and the shareholding structure of the Company and its subsidiaries is set out below.



The Group's distribution business is held by its jointly controlled entity, KS Distribution. KS Distribution and its subsidiaries are principally engaged in the wholesale of industrial machinery and equipment, trading of tools and equipment for the marine and oil and gas industries. The Group's engineering segment is held under its wholly owned subsidiary, KS Fabrication and Engineering Pte. Ltd.. Through its subsidiary Globaltech Systems Engineering Pte. Ltd., the Group provides customised engineering and fabrication services to a wide range of companies in the oil and gas industry.

5.4 Rationale and Benefits of the Proposed Security Arrangement

Please refer to section 6 of this Circular for the rationale and benefits of the Proposed Transactions, including the Proposed Security Arrangement.

5.5 Conditionality of Ordinary Resolutions 1, 2, 3 and 4

In voting for the Ordinary Resolutions set out in the Notice of EGM, Shareholders should note that the Ordinary Resolution 1 to approve the Proposed Bonds Issue and the Proposed Warrants Issue, and the Ordinary Resolution 4 to approve the Proposed Security Arrangement are inter-conditional upon each other. In the event that either of the Ordinary Resolutions 1 or 4 is not passed, the other Ordinary Resolution 1 or 4 (as the case may be) will also not be passed.

Shareholders should note that Ordinary Resolutions 2 and 3 are conditional on the passing of Ordinary Resolution 1. In the event that Ordinary Resolution 1 is not passed, Ordinary Resolutions 2 and 3 will also not be passed.

LETTER TO SHAREHOLDERS

6. RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTIONS

- 6.1 As the oil and gas industry is inherently volatile, the drilling industry operates in a challenging environment as prolonged period of low oil prices resulted in a decline in rig contracting activities. The Proposed Bonds Issue is undertaken to refinance the Existing Convertible Bonds. In addition, the refinancing of the Existing Convertible Bonds through the issue of the new Bonds would prevent dilution to its Shareholders. In the longer term, the Directors believe that the structure and terms of the Proposed Bonds Issue, coupled with the Proposed Warrants Issue, provide a more favourable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings.
- 6.2 The global economic uncertainty has affected capital markets globally. This has further diminished opportunities for the Company to raise funds from the capital markets. As the completion of the Proposed Warrants Issue is simultaneous with the completion of the Proposed Bonds Issue, the Proposed Warrants Issue has been undertaken as an incentive for the Lenders to the Proposed Bonds Issue. Raising long term funds through the Proposed Warrants Issue would enable the Company to diversify its sources through a mix of equity and debt securities. The Directors believe that the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity. Given the challenging industry outlook and overall liquidity issues in the financial markets, the exercise of the Warrants by POEL and HW will also seek to boost stakeholders' confidence in the Company.

7. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

7.1 Financial Effects of the Proposed Bonds Issue and the Proposed Warrants Issue

(a) Bases and Assumption

The *pro forma* financial effects of the Proposed Bonds Issue and the Proposed Warrants Issue are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Bonds Issue and the Proposed Warrants Issue. These illustrative *pro forma* financial effects have been computed based on the Group's latest audited consolidated financial results for FY2016 and do not take into account any transaction expenses incurred in connection with the Proposed Transactions.

(b) Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed Bonds Issue and the Proposed Warrants Issue ⁽¹⁾	515,601,215
After completion of the Proposed Bonds Issue and the Proposed Warrants Issue ⁽¹⁾	515,601,215
After completion of the Proposed Bonds Issue, the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders ⁽²⁾	581,101,215

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Notes:

- (1) Based on 515,601,215 Shares (excluding 8,639,000 treasury shares) in issue as at the Latest Practicable Date.
- (2) Based on 581,101,215 Shares in issue, assuming that 65.5 million Warrants were exercised by the Lenders and 65.5 million Warrant Shares were issued and allotted to the Lenders.

(c) Earnings per Share

Assuming that the Proposed Bonds Issue and the Proposed Warrants Issue had been completed on 1 January 2016, the effect of the Proposed Bonds Issue and the Proposed Warrants Issue on the Group's EPS for FY2016 will be as follows:

	EPS (cents)
Before the Proposed Bonds Issue and the Proposed Warrants Issue ⁽¹⁾	(20.85)
After completion of the Proposed Bonds Issue and the Proposed Warrants Issue ⁽¹⁾	(17.67)
After completion of the Proposed Bonds Issue, the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders ⁽²⁾	(15.67)

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.3 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$15.8 million.
- (2) Based on 581,101,215 Shares in issue, assuming that 65.5 million Warrants were exercised by the Lenders and 65.5 million Warrant Shares were issued and allotted to the Lenders.

(d) Net Tangible Assets

Assuming that the Proposed Bonds Issue and the Proposed Warrants Issue had been completed on 31 December 2016, the effect of the Proposed Bonds Issue and the Proposed Warrants Issue on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed Bonds Issue and the Proposed Warrants Issue</u>	
Adjusted NTA (S\$000'000)	102.9
Adjusted NTA per Share (cents) ⁽¹⁾	20.0

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**Group
(as at 31 December
2016)**

**After completion of the Proposed Bonds Issue, the
Proposed Warrants Issue and assuming full exercise
of the Warrants by the Lenders**

Adjusted NTA (S\$000'000)	105.9
Adjusted NTA per Share (cents) ⁽²⁾	18.2

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.3 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$15.8 million.
- (2) Based on 581,101,215 Shares in issue, assuming that 65.5 million Warrants were exercised by the Lenders and 65.5 million Warrant Shares were issued and allotted to the Lenders.

7.2 Financial Effects of the Proposed POEL Transactions

(a) Bases and Assumption

The *pro forma* financial effects of the Proposed POEL Transactions are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed POEL Transactions. These illustrative *pro forma* financial effects have been computed based on the Group's latest audited consolidated financial results for FY2016 and on the assumption that the debts due from the Existing Convertible Bonds and Existing Loans held by POEL will be satisfied by the proceeds from the Proposed POEL Transactions. The illustrative financial effects do not take into account any transaction expenses incurred in connection with the Proposed POEL Transactions.

(b) Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed POEL Transactions ⁽¹⁾	515,601,215
After completion of the Proposed POEL Transactions ⁽¹⁾	515,601,215
After completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL ⁽²⁾	534,101,215

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.
- (2) Based on 534,101,215 Shares in issue, assuming that 18.5 million Warrants were exercised by POEL and 18.5 million Warrant Shares were issued and allotted to POEL.

LETTER TO SHAREHOLDERS

(c) Earnings per Share

	EPS (cents)
Before the Proposed POEL Transactions ⁽¹⁾	(20.85)
After completion of the Proposed POEL Transactions ⁽¹⁾	(20.68)
After completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL ⁽²⁾	(19.96)

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.1 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$1.8 million.
- (2) Based on 534,101,215 Shares in issue, assuming that 18.5 million Warrants were exercised by POEL and 18.5 million Warrant Shares were issued and allotted to POEL.

(d) Net Tangible Assets

Assuming that the Proposed POEL Transactions had been completed on 31 December 2016, the effect of the Proposed POEL Transactions on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed POEL Transactions</u>	
Adjusted NTA (S\$000'000)	88.6
Adjusted NTA per Share (cents) ⁽¹⁾	17.2
<u>After completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL</u>	
Adjusted NTA (S\$000'000)	89.4
Adjusted NTA per Share (cents) ⁽²⁾	16.7

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.1 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$1.8 million.
- (2) Based on 534,101,215 Shares in issue, assuming that 18.5 million Warrants were exercised by POEL and 18.5 million Warrant Shares were issued and allotted to POEL.

LETTER TO SHAREHOLDERS

7.3 Financial Effects of the Proposed HW Transactions

(a) Bases and Assumption

The pro forma financial effects of the Proposed HW Transactions are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed HW Transactions. These illustrative pro forma financial effects have been computed based on the Group's latest audited consolidated financial results for FY2016 and on the assumption that the debts due from the Existing Convertible Bonds held by HW will be satisfied by the proceeds from the Proposed HW Transactions. The illustrative financial effects do not take into account any transaction expenses incurred in connection with the Proposed HW Transactions.

(b) Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed HW Transactions ⁽¹⁾	515,601,215
After completion of the Proposed HW Transactions ⁽¹⁾	515,601,215
After completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW ⁽²⁾	525,101,215

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.
- (2) Based on 525,101,215 Shares in issue, assuming that 9.5 million Warrants were exercised by HW and 9.5 million Warrant Shares were issued and allotted to HW.

(c) Earnings per Share

Assuming that the Proposed HW Transactions had been completed on 1 January 2016, the effect of the Proposed HW Transactions on the Group's EPS for FY2016 will be as follows:

	EPS (cents)
Before the Proposed HW Transactions ⁽¹⁾	(20.85)
After completion of the Proposed HW Transactions ⁽¹⁾	(20.20)
After completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW ⁽²⁾	(19.83)

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.05 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$3.0 million.
- (2) Based on 525,101,215 Shares in issue, assuming that 9.5 million Warrants were exercised by HW and 9.5 million Warrant Shares were issued and allotted to HW.

LETTER TO SHAREHOLDERS

(d) Net Tangible Assets

Assuming that the Proposed HW Transactions had been completed on 31 December 2016, the effect of the Proposed HW Transactions on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed HW Transactions</u>	
Adjusted NTA (S\$000'000)	89.8
Adjusted NTA per Share (cents) ⁽¹⁾	17.4
<u>After completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW</u>	
Adjusted NTA (S\$000'000)	90.3
Adjusted NTA per Share (cents) ⁽²⁾	17.2

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.05 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$3.0 million.
- (2) Based on 525,101,215 Shares in issue, assuming that 9.5 million Warrants were exercised by HW and 9.5 million Warrant Shares were issued and allotted to HW.

7.4 Financial Effects of the Proposed Security Arrangement

(a) Bases and Assumption

The *pro forma* financial effects of the Proposed Security Arrangement and in the event of a foreclosure on all the Charged Assets under the Proposed Security Arrangement are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the Proposed Security Arrangement and the foreclosure on the Charged Assets. These illustrative *pro forma* financial effects have been computed based on the Group's latest audited consolidated financial results for FY2016 and determined based on the assumption that the foreclosure of the Charged Assets satisfies the full repayment of the Bonds.

LETTER TO SHAREHOLDERS

(b) Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed Security Arrangement ⁽¹⁾	515,601,215
After the Proposed Security Arrangement ⁽¹⁾	515,601,215
After the foreclosure on all the Charged Assets under the Proposed Security Arrangement ⁽¹⁾	515,601,215

Note:

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

(c) Earnings per Share

Assuming that the Proposed Security Arrangement had been completed on 1 January 2016, the effect of the Proposed Security Arrangement on the Group's EPS for FY2016 will be as follows:

	EPS (cents)
Before the Proposed Security Arrangement ⁽¹⁾	(17.67)
After completion of the Proposed Security Arrangement ⁽¹⁾	(17.67)
After the foreclosure on all the Charged Assets under the Proposed Security Arrangement ⁽¹⁾	(2.53)

Note:

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

(d) Net Tangible Assets

Assuming that the Proposed Security Arrangement had been completed on 31 December 2016, the effect of the Proposed Security Arrangement on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed Security Arrangement</u>	
Adjusted NTA (S\$000'000)	102.9
Adjusted NTA per Share (cents) ⁽¹⁾	20.0

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**Group
(as at 31 December
2016)**

**After completion of the Proposed Security Arrangement
and assuming foreclosure on all the Charged Assets
under the Proposed Security Arrangement**

Adjusted NTA (S\$000'000)	16.0
Adjusted NTA per Share (cents) ⁽¹⁾	3.1

Note:

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

(e) Estimated Net Gain/Loss Impact on the Company

Assuming that the Charged Assets under the Proposed Security Arrangement are disposed at its book value of S\$109.8 million as at 30 June 2017 and excluding any associated expenses that may be incurred in connection with the foreclosure of the Charged Assets under the Proposed Security Arrangement, there will be no gain or loss. For the avoidance of doubt, the actual cash consideration and associated expenses in relation to the disposal of the Charged Assets cannot be determined as at the Latest Practicable Date. Based on the foregoing assumption, there would be no excess or deficit of the proceeds over the book value of the Charged Assets. However, in the event that the proceeds raised from the disposal of the Charged Assets under the Proposed Security Arrangement is less than the book value of the Charged Assets, the Company may recognise a loss on disposal.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 8.1 As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, as recorded in the Register of Directors' shareholdings and Register of Substantial Shareholders' shareholdings respectively, are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors				
Mr. Kris Taenar Wiluan ⁽²⁾	–	–	308,281,662	59.79
Mr. Richard James Wiluan ⁽²⁾	–	–	308,281,662	59.79
Mr. Lawrence Stephen Basapa	50,000	0.01	–	–
Substantial Shareholders				
Pacific One Energy Limited ⁽²⁾	308,281,662	59.79	–	–
Rija Holdings Limited ⁽²⁾	–	–	308,281,662	59.79
Dubai Transport Company LLC ⁽³⁾	50,751,948	9.84	–	–
Abdulla Mohammed Saleh ⁽³⁾	–	–	50,751,948	9.84
Ahmad Abdulrahim Baker ⁽³⁾	–	–	50,751,948	9.84
AMSAF Investment LLC ⁽³⁾	–	–	50,751,948	9.84

LETTER TO SHAREHOLDERS

Notes:

- (1) The percentage of issued share capital is calculated on the basis of 515,601,215 Shares, excluding 8,639,000 treasury shares, as at the Latest Practicable Date.
- (2) Rija Holdings Limited, which is the holding company of Pacific One Energy Limited, is controlled by Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan. By virtue of Section 4 of the SFA, Rija Holdings Limited, Mr. Kris Taenar Wiluan and Mr. Richard James Wiluan are deemed interested in the 308,281,662 Shares held by Pacific One Energy Limited.
- (3) Dubai Transport Company LLC (“DTC”) is controlled by Mr. Abdulla Mohammed Saleh, AMSAF Investment LLC (“AMSAF”) and Mr. Ahmad Abdulrahim Baker. By virtue of Section 4 of the SFA, Mr. Abdulla Mohammed Saleh, AMSAF and Mr. Ahmad Abdulrahim Baker are deemed interested in the 50,751,948 Shares of the Company held by DTC.

Save as disclosed in this Circular, none of the Directors and Substantial Shareholders has any interests, direct or indirect, in the Proposed Transactions, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

- 8.2 Based on the shareholding structure of the Company as at the Latest Practicable Date, upon completion of the Proposed Transactions and after the exercise of the Warrants and the issue and allotment of the Warrant Shares, the interests of the Directors and Substantial Shareholders in the Shares will be as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Directors				
Mr. Kris Taenar Wiluan	—	—	326,781,662	56.23
Mr. Richard James Wiluan	—	—	326,781,662	56.23
Mr. Lawrence Stephen Basapa	50,000	0.01	—	—
Substantial Shareholders				
Pacific One Energy Limited ⁽²⁾	326,781,662	56.23	—	—
Rija Holdings Limited	—	—	326,781,662	56.23
Dubai Transport Company LLC	50,751,948	8.73	—	—
Abdulla Mohammed Saleh	—	—	50,751,948	8.73
Ahmad Abdulrahim Baker	—	—	50,751,948	8.73
AMSAF Investment LLC	—	—	50,751,948	8.73
Oversea-Chinese Banking Corporation Limited ⁽³⁾	30,000,000	5.16	—	—
Mdm Hedy Wiluan ⁽⁴⁾	9,500,000	1.63	20,580,000	3.54

Notes:

- (1) The percentage of issued share capital is calculated on the basis of 581,101,215 Shares, excluding 8,639,000 treasury shares, upon completion of the Proposed Transactions and after the exercise of the Warrants and the allotment and issue of the Warrant Shares.
- (2) An aggregate 18,500,000 Warrant Shares will be issued and allotted to POEL upon the exercise of the Warrants issued pursuant to the Proposed Warrants Issue.
- (3) An aggregate 30,000,000 Warrant Shares will be issued and allotted to OCBC upon the exercise of the Warrants issued pursuant to the Proposed Warrants Issue.
- (4) An aggregate 9,500,000 Warrant Shares will be issued and allotted to HW upon the exercise of the Warrants issued pursuant to the Proposed Warrants Issue. By virtue of Section 4 of the SFA, HW is deemed interested in the 20,580,000 Shares held by Advanti (Int'l) Pte Limited.

LETTER TO SHAREHOLDERS

9. DIRECTORS' RECOMMENDATIONS

9.1 The Proposed Bonds Issue and the Proposed Warrants Issue

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

9.2 The Proposed POEL Transactions

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

9.3 The Proposed HW Transactions

The Non-Interested Directors, having considered, *inter alia*, the terms of, rationale for and benefits of the Proposed HW Transactions, are of the opinion that the Proposed HW Transactions are in the best interests of the Company and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 3 relating to the Proposed HW Transactions, as set out in the attached Notice of EGM.

9.4 The Proposed Security Arrangement

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

9.5 No Regard to Specific Objectives

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

LETTER TO SHAREHOLDERS

10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-4 of this Circular, will be held at 19 Jurong Port Road, Singapore 619093 on 27 October 2017 at 10.00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing (with or without any modification) the ordinary resolutions relating to the Proposed Bonds Issue and Proposed Warrants Issue, the Proposed POEL Transactions, the Proposed HW Transactions, and the Proposed Security Arrangement, as set out in the Notice of EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

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

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

12. DIRECTORS' RESPONSIBILITY STATEMENT

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

13. CONSENT

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

LETTER TO SHAREHOLDERS

14. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Constitution of the Company;
- (b) the Amendment Deeds;
- (c) the Bond Repurchase Agreements;
- (d) the Bond Purchase Agreements;
- (e) the Warrant Subscription Agreements;
- (f) the Back-End Payment Agreement;
- (g) the IFA Letter; and
- (h) the letter of consent dated 12 October 2017 from the IFA.

Yours faithfully

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

Soh Gim Teik
Director

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

Condition 5 of the terms and conditions of the Warrants, as set out in the Warrant Instrument, provides for the circumstances in which the Exercise Price and the number of Warrants held by the Warrantholders may be adjusted and the adjustment formulae applicable to each of the circumstances.

“5. ADJUSTMENTS OF EXERCISE PRICE AND NUMBER OF WARRANTS

- (a) The Exercise Price and the number of Warrants held by each Warrantholder shall from time to time be adjusted by the Calculation Agent in consultation with the Directors, or in the absence of an appointed Calculation Agent, by the Directors, in accordance with Condition 5(b) below, which adjustment shall be certified by the Auditors. The Exercise Price and the number of Warrants held by each Warrantholder shall from time to time be adjusted as provided in these Conditions and the Instrument in all or any of the following cases:
- (i) an issue by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund but excluding any issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend) to the Shareholders; or
 - (ii) a Capital Distribution (as defined in Condition 5(b)(ii) below) made by the Company to its Shareholders whether on a reduction of capital or otherwise (but otherwise excluding any cancellation of capital which is lost or unrepresented by available assets); or
 - (iii) an offer or invitation made by the Company to the Shareholders whereunder they may acquire or subscribe for Shares by way of rights, or issue or grant to the Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares; or
 - (iv) an issue (otherwise than pursuant to a rights issue available to all the Shareholders, requiring an adjustment under Condition 5(a)(iii), and other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend or an issue of Shares arising from rights of conversion into, or exchange or subscription for Shares) by the Company of Shares, or issue or grant (otherwise than pursuant to a rights issue available to all the Shareholders, requiring an adjustment under Condition 5(a)(iii)) rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, or issue any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares, if the Total Effective Consideration (as defined in Condition 5(b)(v) below) for each Share is less than 90 per cent. of the weighted average price for trades done on the SGX-ST for the full Market Day on which the placement or subscription agreement is signed in relation to such issue, or if trading in the Shares is not available for a full Market Day, the weighted average price for trades done on the SGX-ST for the preceding Market Day up to the time the placement or subscription agreement is signed in relation to such issue (“**Relevant Placement Price**”); or
 - (v) any consolidation, subdivision, reclassification or conversion of the Shares.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

- (b) Subject to these Conditions and the Instrument, the Exercise Price and the number of Warrants held by each Warrantholder shall from time to time be adjusted in accordance with the following provisions (but so that if the event giving rise to any such adjustment shall be capable of falling within any two or more of Conditions 5(a)(i) to 5(a)(v) or if such event is capable of giving rise to more than one adjustment, the adjustment shall be made in such manner as the Calculation Agent (or in the absence of an appointed Calculation Agent, by the Directors) shall determine):
- (i) If, and whenever, the Company shall make any issue of Shares to the Shareholders credited as fully paid, by way of capitalisation of profits or reserves (whether of a capital or income nature and including any capital redemption reserve fund, other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend), the Exercise Price and the number of Warrants shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{A}{A + B} \times X$$

$$\text{Adjusted number of Warrants} = \frac{A + B}{A} \times Y$$

where:

A = the aggregate number of issued and fully paid-up Shares immediately before such capitalisation issue;

B = the aggregate number of Shares to be issued pursuant to any allotment to the Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any capital redemption reserve fund other than an issue of Shares in respect of which Shareholders may elect to receive Shares in lieu of cash or other dividend);

X = existing Exercise Price; and

Y = existing Number of Warrants outstanding (as may be adjusted from time to time in accordance with these Conditions).

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such issue.

For the purpose of this Condition 5, “**record date**” in relation to the relevant transaction means the date as at the close of business (or such other time as may be notified by the Company) on which the Shareholders must be registered as such to participate therein.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

In the event that there are no appropriate adjustments to the Exercise Price or the number of Warrants, the Calculation Agent (or in the absence of an appointed Calculation Agent, the Directors) may propose other forms of distribution (either cash or non-cash) to Warrantholders in lieu of or in conjunction with the adjustments to the Exercise Price or the number of Warrants. Such distributions shall be certified by the Auditors to be appropriate and, where necessary, are subject to the approvals of SGX-ST and of the Shareholders at a general meeting.

- (ii) If, and whenever, the Company shall make a Capital Distribution (as defined below) to the Shareholders whether on a reduction of capital or otherwise (but excluding any cancellation of capital which is lost or unrepresented by available assets), then the Exercise Price and the number of Warrants shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{C - D}{C} \times X$$

$$\text{Adjusted Number of Warrants} = \frac{C}{C - D} \times Y$$

where:

C = the VWAP of the Shares on the five Market Days immediately preceding the date on which the Capital Distribution is publicly announced to the SGX-ST or (failing any such announcement) immediately preceding the date of the Capital Distribution;

D = the fair market value of that portion of the Capital Distribution attributable to one Share as determined by the Company and approved in writing by the Auditors; provided that (i) where the Capital Distribution is cash, the fair market value of the Capital Distribution attributable to one Share shall be the amount of such cash distribution per Share determined as at the date of announcement of such Capital Distribution and (ii) where the Capital Distribution relates to options, warrants or other rights which are publicly traded in a market of adequate liquidity the fair market value of that portion of the Capital Distribution attributable to one Share shall be equal to the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days prior to the date of announcement of such Capital Distribution;

X = as in X above; and

Y = as in Y above.

For the purposes of Conditions 5(a)(ii) and 5(b)(ii), “**Capital Distribution**” shall mean any capital reduction by the Company in accordance with the Companies Act or distribution (whether of cash or assets in specie) by the Company for any financial period (whether paid or made and howsoever described) (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or securities credited as fully or partly paid) but excluding any Ordinary Dividend.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the record date for such transactions.

- (iii) If, and whenever, the Company shall make any offer or invitation to its Shareholders whereunder they may acquire or subscribe for Shares by way of rights or issue or grant to the Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, then the Exercise Price and the number of Warrants shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{E - F}{E} \times X$$

and the number of Warrants shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants} = \frac{E}{E - F} \times Y$$

where:

E = the VWAP of the Shares on the five Market Days immediately preceding the date on which the offer or invitation referred to in this Condition 5(b)(iii) is publicly announced to the SGX-ST or (failing any such announcement) immediately preceding the date of the offer or invitation;

X = as in X above;

Y = as in Y above; and

F = the value of rights attributable to one Share, which shall be calculated in accordance with the formula:

$$\frac{E - G}{H + 1}$$

where:

E = as in E above;

G = the subscription price of one additional Share under the offer or invitation to acquire or subscribe for Shares by way of rights;

H = the number of Shares which it is necessary to hold in order to be offered or invited to acquire or subscribe for one additional Share by way of rights; and

1 = one.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

Such adjustments will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for such offer or invitation.

For the purpose of this paragraph, “**closing date**” shall mean the date by which acceptance of and payment for the Shares is to be made under the terms of such offer or invitation.

- (iv) If, and whenever, the Company makes any allotment to the Shareholders as provided in Condition 5(b)(i) and also makes any offer or invitation to its Shareholders as provided in Condition 5(b)(iii) and the record date for the purpose of the allotment is also the record date for the purpose of the offer or invitation, the Exercise Price and the number of Warrants shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{(I \times E) + (J \times G)}{(I + J + B) \times E} \times X$$

$$\text{Adjusted number of Warrants} = \frac{(I + J + B) \times E}{(I \times E) + (J \times G)} \times Y$$

where:

I = the aggregate number of issued and fully paid-up Shares on the record date;

E = as in E above;

J = the aggregate number of new Shares to be issued under an offer or invitation to acquire or subscribe for Shares by way of rights;

G = as in G above;

B = as in B above;

X = as in X above; and

Y = as in Y above.

Such adjustment will be effective (if appropriate, retroactively) from the commencement of the Market Day next following the closing date for such offer or invitation.

For the purpose of this paragraph, “**closing date**” shall mean the date by which acceptance of and payment for the Shares is to be made under the terms of such offer or invitation.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

- (v) If, and whenever (otherwise than pursuant to a rights issue available to all Shareholders alike and requiring an adjustment under Conditions 5(b)(iii) or 5(b)(iv) and other than an issue of Shares to the Shareholders who elect to receive Shares in lieu of cash or other dividend or an issue of Shares on the exercise of rights of conversion into, or exchange or subscription for Shares), the Company shall issue any Shares, or the Company shall issue or grant rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, or issue any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares and the Total Effective Consideration for each Share (as defined below) is less than 90 per cent. of the Relevant Placement Price, the Exercise Price and the number of Warrants shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{K + L}{K + M} \times X$$

$$\text{Adjusted Number of Warrants} = \frac{K + M}{K + L} \times Y$$

where:

K = the number of Shares in issue at the close of business on the SGX-ST on the Market Day immediately preceding the date on which the relevant adjustment becomes effective;

L = the number of Shares which the Total Effective Consideration (as defined below) would have purchased at such Relevant Placement Price (exclusive of expenses);

M = the aggregate number of Shares so issued;

X = as in X above; and

Y = as in Y above.

References to Shares in (M) above shall, in the case of an issue by the Company of options, warrants or other rights to subscribe, purchase or otherwise acquire Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights, and in the case of an issue by the Company of securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares, such Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities.

Each such adjustment will be effective (if appropriate, retroactively) on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights, or securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

For the purposes of these Conditions, the “**Total Effective Consideration**” shall be determined by the Directors in consultation with the Auditors and shall be the aggregate consideration receivable by the Company on payment in full for such Shares (or as the case may be, for the issue of such options, warrants or rights, and such additional Shares to be issued or otherwise made available upon the exercise of such options, warrants or rights) without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the “**Total Effective Consideration for each Share**” shall be the Total Effective Consideration divided by the number of Shares issued as aforesaid.

- (v) If, and whenever, consolidation, subdivision, reclassification or conversion of the Shares occurs, the Exercise Price and the number of Warrants shall be adjusted in the following manner:

$$\text{New Exercise Price} = \frac{P}{Q} \times X$$

and the number of Warrants shall be adjusted in the following manner:

$$\text{Adjusted number of Warrants} = \frac{Q}{P} \times Y$$

where:

P = the aggregate number of issued Shares immediately prior to such consolidation, subdivision, reclassification or conversion;

Q = the aggregate number of issued Shares immediately after such consolidation, subdivision, reclassification or conversion;

X = as in X above; and

Y = as in Y above.

Each such adjustment will be effective from the close of the Market Day immediately preceding the date on which the consolidation, subdivision or conversion becomes effective.

- (c) Notwithstanding any of the provisions hereinbefore contained, no adjustment to the Exercise Price and the number of Warrants will be required in respect of:
- (i) an issue by the Company of Shares or other securities convertible into rights to acquire or subscribe for Shares to officers, including directors, or employees of the Company or any of its subsidiaries or associated companies pursuant to any purchase or option scheme approved by the Shareholders in general meeting, provided that (1) such scheme is in compliance with the listing rules of the SGX-ST and (2) the aggregate number of Share issued pursuant to such scheme does not exceed 3% of the average number of issued and outstanding Shares in the capital of the Company during the 12-month period immediately preceding any issuance of such Shares; or

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

- (ii) an issue by the Company of Shares in consideration or part consideration for or in connection with the acquisition of any other securities, assets or business, provided that the fair value of the securities, assets or business acquired is equal to or more than:
 - (A) (if the Shares are used as full consideration for such acquisition) the value of the Shares issued; or
 - (B) (if the Shares are used as part consideration for such acquisition) the value of the Shares issued, together with the value of any other consideration provided for the acquisition;
 - (iii) any issue by the Company of Shares pursuant to the exercise of any of the Warrants; or
 - (iv) any purchase by the Company of Shares pursuant to any share purchase scheme approved by Shareholders in any general meeting subsequent to the issue of the Warrants, whether such Shares purchased are deemed cancelled or held in treasury.
- (d) If any offer or invitation for Shares is made by any person (the “**Offeror**”) otherwise than by the Company to the Shareholders, then the Company shall:
- (i) inform the Offeror of its obligation to the Warrantholders;
 - (ii) so far as it is able to procure that at the same time an offer or invitation is made to the then Warrantholders as if their rights to subscribe for Warrant Shares had been exercised the day immediately preceding the date on which as at the close of business the Shareholders must be registered in order to participate in such offer or invitation on the basis then applicable; and
 - (iii) notify the Warrantholders as soon as practicable of the offer or invitation by the Offeror so as to give the Warrantholders sufficient time to exercise their Warrants in accordance with these Conditions,
- provided always that the failure by the Company to procure that an offer or invitation is so made as aforesaid shall not be a breach by the Company of its obligations under these Conditions or the Instrument.
- (e) Any adjustment to the Exercise Price will be rounded upwards to the nearest four decimal places and in no event shall any adjustment involve an increase in the Exercise Price. No adjustments to the Exercise Price shall be made unless it has been certified to be in accordance with Condition 5(b) by the Auditors. No adjustment will be made to the Exercise Price in any case in which the amount by which the same would be reduced would be less than one cent but any adjustment which would otherwise then be required will be carried forward and taken into account appropriately in any subsequent adjustment.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

- (f) Any adjustment to the number of Warrants held by each Warrantholder will be rounded downwards to the nearest whole Warrant. No adjustment to the number of Warrants shall be made unless:
 - (i) it has been certified to be in accordance with Condition 5(b) by the Auditors; and
 - (ii) approval in-principle has been granted by the SGX-ST for the listing of and quotation for such additional Shares as may be issued on the exercise of any additional Warrants as may be issued pursuant to an adjustment.
- (g) If for any reason any event giving rise to an adjustment (“**First Adjustment**”) made to the Exercise Price or the number of Warrants held by each Warrantholder pursuant to these Conditions is cancelled, revoked or not completed, the Exercise Price or the number of Warrants held by each Warrantholder may be readjusted to the amount and number prevailing immediately prior to the First Adjustment with effect from such date and in such manner as the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) may consider appropriate.
- (h) Notwithstanding the provisions referred to in this Condition 5, in any circumstances where the Calculation Agent considers that any adjustments to the Exercise Price and/or the number of Warrants provided under the said provisions should not be made or should be calculated on a different basis or date or should take effect on a different date or that an adjustment to the Exercise Price and/or the number of Warrants should be made notwithstanding that no such adjustment is required under the said provisions, the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) may consider whether, for any reason whatsoever, the absence of an adjustment or the adjustment to be made in accordance with the provisions of this Condition 5 is appropriate or inappropriate, as the case may be, and, if the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) shall consider the adjustment or absence of an adjustment to be inappropriate, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner as shall be considered by the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) to be in its opinion appropriate. For the purpose of this Condition 5(h) and notwithstanding anything to the contrary in the Conditions, any adjustment or absence of an adjustment considered by the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) that constitutes a material alteration to the Conditions and is to the advantage of the Warrantholders shall be approved by the Shareholders, except where the alterations are made pursuant to the terms of the Conditions other than this Condition 5(h).
- (i) Whenever there is an adjustment as herein provided, the Company shall give notice to Warrantholders in accordance with Condition 12 that the Exercise Price and/or the number of Warrants has/have been adjusted and setting forth the event giving rise to the adjustment, the Exercise Price and/or the number of Warrants in effect prior to such adjustment, the adjusted Exercise Price and/or number of Warrants and the effective date of such adjustment and shall, at all times thereafter so long as any of the Warrants remains exercisable, make available for inspection at its registered office for the time being:

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

- (i) a signed copy of the certificate of the Auditors certifying the adjustment to the Exercise Price and/or the number of Warrants; and
- (ii) a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Exercise Price and/or the number of Warrants in effect prior to such adjustment, the adjusted Exercise Price and/or number of Warrants and the effective date of such adjustment,

and shall, on request and at the expense of the Warrantholder, send a copy thereof to any Warrantholder. Whenever there is an adjustment to the number of Warrants held by each Warrantholder, the Company will, as soon as practicable but not later than seven Market Days after the effective date of such adjustment (or such longer period as the SGX-ST may require), despatch by registered post Warrant Certificate(s) for the additional number of Warrants issued to each Warrantholder, at the risk and expense of that Warrantholder, at his address appearing in the Register of Warrantholders, provided that if additional Warrants are issued to each Warrantholder as a result of any adjustment which is cancelled, revoked or not completed and the number of Warrants held by each Warrantholder is readjusted pursuant to Condition 5(g), such additional Warrants shall be deemed to be cancelled with effect from such date and in such manner and on such terms and conditions as the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) may consider appropriate.

- (j) If the Directors, the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) and the Auditors are unable to agree upon any adjustment required under these provisions, the Warrantholders may in writing request that the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) refer the adjustment to the decision of an Approved Bank acting as expert and not arbitrator and whose decision as to such adjustment shall be final and conclusive (save for manifest error) and no certification by the Auditors shall in such circumstances be necessary.
- (k) Without prejudice to the generality of Condition 5(h), if the Company shall in any way modify the rights attached to any share or loan capital so as to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire or subscribe for Shares, the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) may consider whether any adjustment is appropriate and if the Calculation Agent shall determine that any adjustment is appropriate, the Exercise Price and/or the number of Warrants shall be adjusted accordingly.
- (l) Any additional Warrants which may be issued by the Company under this Condition 5 shall be part of the series of Warrants constituted by the Instrument, and shall be issued subject to and with the benefit of the Instrument and on such terms and conditions as the Directors may from time to time think fit, including but not limited to these Conditions.
- (m) In giving any certificate or making any adjustment hereunder, the Auditors and the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) shall be deemed to be acting as experts and not as arbitrators. The Warrantholders may in writing request that the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) refer the adjustment to the decision of an Approved Bank acting as expert and not arbitrator and whose decision as to such adjustment shall be final and conclusive (save for manifest error) and no certification by the Auditors shall in such circumstances be necessary.

APPENDIX A – ADJUSTMENT EVENTS UNDER THE TERMS AND CONDITIONS OF THE WARRANTS

- (n) Notwithstanding anything herein contained, any adjustment to the Exercise Price and/or the number of Warrants other than in accordance with the provisions of this Condition 5, shall be subject to the approval of the SGX-ST and agreed to by the Company, the Auditors and the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors).
- (o) If the Company shall purchase or otherwise acquire any classes of shares issued by it pursuant to the provisions of the Act, the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) may consider whether any adjustments to the Exercise Price and/or the number of Warrants held by each Warrantholder is appropriate, the Exercise Price and/or the number of Warrants held by each Warrantholder to be adjusted accordingly.
- (p) If the Company or the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) determines that an adjustment should be made to the Exercise Price or the number of Warrants, as a result of one or more events not referred to in this Condition 5, the Company shall consult the Calculation Agent to determine, or in the absence of an appointed Calculation Agent, the Directors shall determine (as soon as practicable) what adjustments should be made and the date the adjustment should take effect, and upon such determination by the Calculation Agent or the Directors, as the case may be, such adjustment (if any) shall be made and shall take effect in accordance with such determination provided that where the circumstances giving rise to an adjustment pursuant to this Condition have already resulted or will result in an adjustment to the Exercise Price and the number of Warrants or where the circumstance giving rise to an adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment pursuant to Condition 5 such adjustment shall be made as may be advised by the Calculation Agent (or, in the absence of an appointed Calculation Agent, the Directors) to be in their opinion appropriate to give the intended result.”

APPENDIX B – LETTER FROM THE IFA

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

ASIAN CORPORATE ADVISORS PTE. LTD.

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

160 Robinson Road #21-05
SBF Center
Singapore 068914

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

12 October 2017

- (1) THE PROPOSED ISSUE OF AN AGGREGATE S\$18.5 MILLION BONDS AND 18.5 MILLION WARRANTS TO PACIFIC ONE ENERGY LIMITED (“POEL”) (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (“PROPOSED POEL TRANSACTIONS”), WHICH CONSTITUTE AN INTERESTED PERSON TRANSACTION (“IPT” OR “INTERESTED PERSON TRANSACTION”) UNDER CHAPTER 9 OF THE LISTING MANUAL; AND
- (2) THE PROPOSED ISSUE OF AN AGGREGATE S\$9.5 MILLION BONDS AND 9.5 MILLION WARRANTS TO MS HEDY WILUAN (“HW”) (A RESTRICTED PLACEE PURSUANT TO RULE 812(1) OF THE LISTING MANUAL) (THE “PROPOSED HW TRANSACTIONS”), WHICH CONSTITUTE AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 OF THE LISTING MANUAL.

Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 12 October 2017 (the “Circular”).

1. INTRODUCTION

Oversea-Chinese Banking Corporation Limited (“OCBC”), POEL and HW are existing holders of an aggregate principal amount of S\$45.0 million 6.00 per cent convertible bonds due 2016 at a redemption price of 124.45 per cent. of the principal amount while TAEI One Partners Ltd (acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P.) (“TAEI”) is the existing holder of an aggregate principal amount of S\$7.5 million 6.00 per cent convertible bonds due 2016 at a redemption price of 104.19 per cent. of the principal amount (collectively, the “Existing Convertible Bonds”). As at 30 September 2017 (the “Latest Practicable Date”), an aggregate principal amount of US\$3,287,500 and S\$8,623,917 (the “Existing Loans”) is owed by KS Energy Limited (the “Company”) to POEL. The aggregate principal amount, redemption amount and accrued interest of the Existing Convertible Bonds held by each of the Lender are as follows:

Lender	Aggregate Principal Amount of Existing Convertible Bonds	Redemption Amount ⁽¹⁾	Accrued Interest
OCBC ⁽²⁾	S\$30,000,000	S\$37,335,000	S\$3,150,000
POEL ⁽²⁾	S\$5,500,000	S\$6,844,750	S\$577,500
HW ⁽²⁾	S\$9,500,000	S\$11,822,750	S\$997,500
TAEI ⁽³⁾	S\$7,500,000	S\$8,283,330	S\$787,500

APPENDIX B – LETTER FROM THE IFA

Notes:

- (1) The redemption amount is determined based on a redemption date of 21 December 2017.
 (2) OCBC, POEL and HW are holders of an aggregate principal amount of S\$45.0 million 6.00 per cent convertible bonds due 2016.
 (3) TAEL is the holder of an aggregate principal amount of S\$7.5 million 6.00 per cent convertible bonds due 2016.

On 26 May 2017 (“**Announcement Date**”), the Company announced that it had on 26 May 2017 entered into separate bond purchase agreements and warrant subscription agreements with each of OCBC, TAEL, POEL, HW (collectively, the “**Lenders**”, each a “**Lender**”). As a condition for the Proposed Bonds Issue (defined below), the Company had on 26 May 2017 entered into bond repurchase agreements with each of the Lenders, pursuant to which the Existing Convertible Bonds will be purchased by the Company for cancellation. The aggregate consideration under the Proposed Bonds Issue shall be satisfied by the repurchase of the relevant Existing Convertible Bonds by the Company from each of the Lenders (the “**Proposed Bonds Repurchase**”). In addition, the Company shall also convert the Existing Loans into Bonds that shall be issued to POEL.

As announced by the Company on SGXNET, the Company had on 1 August 2017 (the “**First Amendment Deeds**”) and 4 October 2017 (the “**Second Amendment Deeds**”) and together with the First Amendment Deeds, the “**Amendment Deeds**”) entered into separate deeds of amendment and restatement with each of the Lenders to amend the terms and conditions of the bond purchase agreements (the “**Bond Purchase Agreements**”), the bond repurchase agreements (the “**Bond Repurchase Agreements**”) and the warrant subscription agreements (the “**Warrant Subscription Agreements**”).

Pursuant to the Amendment Deeds, each of the Lenders has agreed to waive the payment of the accrued interest and redemption premium under the Existing Convertible Bonds that are held by each of them respectively. As the aggregate consideration under the Proposed Bonds Issue shall be satisfied by the Proposed Bonds Repurchase, the aggregate principal amount of Bonds that shall be issued to each of the Lenders shall take into account the waiver of the accrued interest and redemption premium under the Existing Convertible Bonds by each of the Lenders. The aggregate principal amount of Bonds proposed to be issued to each of the Lenders is therefore equal to the aggregate principal amounts of Existing Convertible Bonds that are held by each of the Lenders. The details of the Proposed Bonds Issue are as follows:

Lender	Aggregate Principal Amount of Existing Convertible Bonds that shall be repurchased	Aggregate Principal Amount of Existing Loans that shall be converted	Aggregate Principal Amount of Bonds that shall be subscribed
OCBC	S\$30,000,000	-	S\$30,000,000
POEL	S\$5,500,000	US\$3,287,500 and S\$8,623,917	S\$18,500,000
HW	S\$9,500,000	-	S\$9,500,000
TAEL	S\$7,500,000	-	S\$7,500,000

Based on the foregoing, the Company will issue an aggregate S\$65,500,000 Bonds (the “**Proposed Bonds Issue**”) and an aggregate 65,500,000 Warrants (the “**Proposed Warrants Issue**”) to the Lenders. The completion of the Proposed Bonds Issue shall be simultaneous with the completion of the Proposed Warrants Issue.

Asian Corporate Advisors Pte. Ltd. (“**ACA**”) has been appointed as an independent financial adviser (“**IFA**”) to the directors of the Company (“**Directors**”) who are deemed independent (the “**Non-Interested Directors**”) for the purposes of making recommendation(s) in relation to the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions. We note from the Circular that the Non-Interested Directors comprise Mr Soh Gim Teik, Mr Lawrence Stephen Basapa and Mr Chew Choon Soo.

APPENDIX B – LETTER FROM THE IFA

This letter (“**IFA Letter**” or “**Letter**”) sets out, *inter alia*, our views and evaluation of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions which have been proposed as ordinary resolutions in the notice of the extraordinary general meeting (“**EGM**”) of the Company as set out in the Circular to registered holders (“**Shareholders**”) of the shares in the capital of the Company (“**Shares**”). Likewise, it contains our recommendations to the Non-Interested Directors in relation to the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions, for determining whether the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions pursuant to Chapter 9 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual are on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders of the Company (“**Minority Shareholders**”).

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

2. TERMS OF REFERENCE

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

We have confined our evaluation strictly and solely on the financial terms for the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions and have not taken into account the commercial/financial/operational/compliance/legal risks and/or merits (if any) of or the timing for the Proposed Transactions contemplated in the Circular including the structuring or inter-conditionality of the Proposed Transactions or the validity of any resolution or its feasibility. It is not within our scope to opine on the future financial performance or position of the Company or the Group subsequent to the completion of the Proposed Transactions (including, *inter alia*, the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions) or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions (including, *inter alia*, the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions) can be realised (as the case may be) or the Exercise Price (defined later) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions or the ability of the Group to service its borrowings (both principal and interest payment) when it falls due or to pay the interest payment in connection with the Proposed Bonds Issue, including, *inter alia*, the POEL Transactions and the Proposed HW Transactions as Interested Person Transactions when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the Proposed Transactions. Such evaluation or comment remains the responsibility of the Directors and the management (“**Management**”) of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

APPENDIX B – LETTER FROM THE IFA

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

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

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the unaudited financial statements for the six (6) months ended 30 June 2017 (“HY2017”) for the Group. The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group after the completion of Proposed Transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Transactions (in part or in full) or voting for or voting against the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the plans (if any) for each of them. Estimates or analysis or evaluation of the merits of the Company or the Group or the Proposed POEL Transactions or the Proposed HW Transactions as Interested Person Transactions if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Non-Interested Directors (as well as Independent Shareholders of the Company who would be receiving the Circular and this Letter enclosed with the Circular) should note that our evaluation is based solely on publicly available information and other information provided by the Company, the Directors, as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end or financial period for the Company or the Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Selected Transactions and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment.

The Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors contained therein. The Directors have, confirmed to ACA that all material information including but not

APPENDIX B – LETTER FROM THE IFA

limited to plans or prospects or proposals or rationale involving the Company or the Group or the Proposed Transactions stipulated in the Circular or issue or changes to its capital structure, available to them and Management in connection with the Proposed Transactions has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed or confirmations given by the Directors in the Circular or the IFA letter to be untrue, inaccurate or incomplete in any respect or misleading.

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

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the audited financial statements for the Company and the Group for the financial year (“FY”) ended 31 December 2016 (“FY2016”) as well as the unaudited financial statements for the Company and the Group for HY2017 are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the audited financial statements for FY2016 and the unaudited financial statements for HY2017 to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter alia* the valuation or appraisal of business, assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information including our views or analysis or opinions or reliance of such statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the unaudited financial statements for the Group for HY2017 and the audited financial statements for the Group for FY2016, there has been no material changes to the Group’s business, assets and liabilities, financial position, condition and performance.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Independent Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Non-Interested Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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

APPENDIX B – LETTER FROM THE IFA

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

3. PROPOSED POEL TRANSACTIONS

The information of the Proposed POEL Transactions are set out in Section 4.2 of the Circular and have been summarised below. We recommend Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

The Directors have confirmed that the terms and conditions of the Proposed POEL Transactions (including the Security Arrangement) are: (a) not more favourable than the terms and conditions stipulated in the Bond Purchase Agreements entered into with OCBC, HW and TAEI, and (b) in line with the terms and conditions stipulated in the Bond Purchase Agreements entered into with HW, TAEI and OCBC (save for the Back-End Payment (as defined in the Circular) for OCBC). We note that as the Security Arrangement provides for the proportionate sharing of security based on the amount outstanding for the Bonds, it is on a *pari passu* basis and the Security Arrangement available to the Interested Persons are the same as to those accorded to the non-interested persons, being OCBC and TAEI.

“4.2 The Proposed POEL Transactions

(a) Compliance with Chapter 9 of the Listing Manual

Rija Holdings Limited, which is the holding company of POEL, is controlled by Mr Kris Taenar Wiluan and Mr Richard James Wiluan. Mr Kris Taenar Wiluan is the Executive Chairman, CEO and a Controlling Shareholder of the Company. Mr Richard James Wiluan is the Executive Director and a Controlling Shareholder of the Company. As at the Latest Practicable Date, by virtue of Section 4 of the SFA, they are deemed interested in 59.79 per cent. of the issued and paid-up share capital of the Company and for the purposes of Chapter 9 of the Listing Manual are considered Controlling Shareholders. As Mr Kris Taenar Wiluan and Mr Richard James Wiluan indirectly hold more than 30.0 per cent. interest in POEL, POEL is an Associate of both Mr Kris Taenar Wiluan and Mr Richard James Wiluan.

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

Based on the foregoing,

- (i) the issue of an aggregate S\$18.5 million principal amount of Bonds by the Company to POEL pursuant to the Proposed Bonds Issue; and*
- (ii) the issue of 18.5 million Warrants by the Company to POEL pursuant to the Proposed Warrants Issue,*

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would each constitute an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual.

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

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

With respect to the Proposed POEL Transactions, the amount at risk to the Company is a combination of:

- (i) the aggregate interest rate payable (including the redemption premium) on the S\$18.5 million in aggregate principal amount of Bonds issued to POEL from the Issue Date up to the Extended Maturity Date, being S\$6.7 million;*
- (ii) the value of the Share Charge granted under the Proposed Security Arrangement, being S\$34.5 million; and*
- (iii) the aggregate amount payable upon exercise of the Warrants issued to POEL at the Exercise Price, being S\$0.8 million.*

Based on the foregoing, the amount at risk amounts to approximately S\$42.0 million representing approximately 48.4 per cent. of the Group NTA of S\$86.7 million as at 31 December 2016. Accordingly, as the amount at risk is more than 5.0 per cent. of the Group NTA, Shareholders’ approval is required for the Proposed POEL Transactions.

(c) Rationale and Benefits of the Proposed POEL Transactions

Please refer to section 6 of this Circular for the rationale and benefits of the Proposed Transactions, including the Proposed POEL Transactions”

4. PROPOSED HW TRANSACTIONS

The information of the Proposed HW Transactions are set out in Section 4.3 of the Circular and have been summarised below. We recommend Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

The Directors have confirmed that the terms and conditions of the Proposed HW Transactions (including the Security Arrangement) are: (a) not more favourable than the terms and conditions stipulated in the Bond Purchase Agreements entered into with OCBC, POEL and TAEI, and (b) in line with the terms and conditions stipulated in the Bond Purchase Agreements entered into with POEL, TAEI and OCBC (save for the Back-End Payment for OCBC). We note that as the Security Arrangement provides for the proportionate sharing of security based on the amount outstanding for the Bonds, it is on a *pari passu* basis and the Security Arrangement available to the Interested Persons are the same as those accorded to the non-interested persons, being OCBC and TAEI.

“4.3 The Proposed HW Transactions

(a) Compliance with Chapter 9 of the Listing Manual

HW is the sister of Mr Kris Taenar Wiluan. As Mr Kris Taenar Wiluan is the Executive Chairman, CEO and a Controlling Shareholder of the Company, HW is an Associate of Mr Kris Taenar Wiluan. Accordingly, HW is regarded as an “interested person” within the

APPENDIX B – LETTER FROM THE IFA

meaning of Chapter 9 of the Listing Manual. The Company is regarded as an “entity at risk” within the meaning of Chapter 9 of the Listing Manual.

Based on the foregoing,

- (i) the issue of an aggregate S\$9.5 million principal amount of Bonds by the Company to HW pursuant to the Proposed Bonds Issue; and
- (ii) the issue of 9.5 million Warrants by the Company to HW pursuant to the Proposed Warrants Issue,

would each constitute an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual.

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

With respect to the Proposed HW Transactions, the amount at risk to the Company is a combination of:

- (i) the aggregate interest rate payable (including redemption premium) on the S\$9.5 million in aggregate principal amount of Bonds issued to HW from the Issue Date up to the Extended Maturity Date, being S\$3.4 million;
- (ii) the value of the Share Charge granted under the Proposed Security Arrangement, being S\$17.7 million; and
- (iii) the aggregate amount payable upon exercise of the Warrants issued to HW at the Exercise Price, being S\$0.4 million.

Based on the foregoing, the amount at risk amounts to approximately S\$21.5 million representing approximately 24.8 per cent. of the latest audited consolidated NTA of the Group of S\$86.7 million as at 31 December 2016. Accordingly, as the amount at risk is more than 5.0 per cent. of the Group NTA, Shareholders’ approval is required for the Proposed HW Transactions.

(c) Rationale and Benefits of the Proposed HW Transactions

Please refer to section 6 of this Circular for the rationale and benefits of the Proposed Transactions, including the Proposed HW Transactions. ”

5. EVALUATION OF THE PROPOSED POEL TRANSACTIONS AND THE PROPOSED HW TRANSACTIONS AS INTERESTED PERSON TRANSACTIONS

For the purposes of evaluating the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:

- (i) Rationale and benefits of the Proposed Transactions;
- (ii) Financial performance and position of the Group;
- (iii) Assessment of the interest rate and yield-to-maturity for the Proposed POEL Transactions and the Proposed HW Transactions;
- (iv) Assessment of the Proposed Warrants Issue; and
- (v) Other relevant considerations which have significant bearing on our assessment.

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

In our assessment of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions, we have applied certain valuation ratios in assessing the reasonableness of the Exercise Price for the Proposed Warrants Issue. A brief description of such valuation ratios are as follows:–

- (i) **EV/EBITDA**

“EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. “EBITDA” stands for earnings before interest, tax, depreciation and amortisation but after share of associates’ and joint ventures’ income but excluding exceptional items.

The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.
- (ii) **Price-to-Earnings (“PER”)**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company’s shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.
- (iii) **Price-to-NTA (“P/NTA”)**

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

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

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

In assessing the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

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5.1. Rationale and benefits of the Proposed Transactions

The rationale and benefits of the Proposed Transactions

The rationale and benefits of the Proposed Transactions have been extracted from Section 6 of the Circular and are set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“6. RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTIONS

- 6.1 *As the oil and gas industry is inherently volatile, the drilling industry operates in a challenging environment as prolonged period of low oil prices resulted in a decline in rig contracting activities. The Proposed Bonds Issue is undertaken to refinance the Existing Convertible Bonds. In addition, the refinancing of the Existing Convertible Bonds through the issue of the new Bonds would prevent dilution to its Shareholders. In the longer term, the Directors believe that the structure and terms of the Proposed Bonds Issue, coupled with the Proposed Warrants Issue, provide a more favourable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings.*
- 6.2 *The global economic uncertainty has affected capital markets globally. This has further diminished opportunities for the Company to raise funds from the capital markets. As the completion of the Proposed Warrants Issue is simultaneous with the completion of the Proposed Bonds Issue, the Proposed Warrants Issue has been undertaken as an incentive for the Lenders to the Proposed Bonds Issue. Raising long term funds through the Proposed Warrants Issue would enable the Company to diversify its sources through a mix of equity and debt securities. The Directors believe that the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity. Given the challenging industry outlook and overall liquidity issues in the financial markets, the exercise of the Warrants by POEL and HW will also seek to boost stakeholders' confidence in the Company.”*

Use of proceeds of the Proposed Transactions

We note from the Circular that as a condition for the Proposed Bonds Issue, the Company had entered into the Bond Repurchase Agreements with each of the Lenders, pursuant to which the Existing Convertible Bonds will be purchased by the Company for cancellation. The aggregate consideration under the Proposed Bonds Issue shall be satisfied by the Proposed Bonds Repurchase. In addition, the Company shall also convert the Existing Loans into Bonds that shall be issued to POEL. The Directors have represented and confirmed to us that save for the proceeds generated from the exercise of the Warrants, the Proposed Bonds Issue does not involve any new cash injection into the Group in view of the Proposed Bonds Repurchase as well as the conversion of the Existing Loans into the Bonds to be issued to POEL.

The use of proceeds from the exercise of the Warrants has been extracted from Section 3.7 of the Circular and are set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

“3.7 Use of Proceeds

Assuming that all the 65.5 million Warrants are exercised in full at the Exercise Price of S\$0.045 per Warrant Share, the Proposed Warrants Issue will raise approximately S\$2.95 million and the net proceeds of the Proposed Warrants Issue, after deducting estimated expenses of approximately S\$0.02 million, will amount to approximately S\$2.93 million. The Company expects to utilise the net proceeds from the Proposed Warrants Issue be used in the following manner:

- (a) approximately 50.0 per cent. to be used for funding debt repayments; and*
- (b) approximately 50.0 per cent. to be used for operating overheads.*

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Pending the deployment of the net proceeds, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities and/or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem appropriate in the interests of the Company.

Shareholders should note that there is no guarantee that the Company will obtain the gross proceeds of approximately S\$2.95 million as the Lenders have the right, but not the obligation, to exercise the Warrants upon the terms and subject to the conditions set out in the terms and conditions of the Warrant Instrument.

In the event the Warrants are exercised by the Lenders, the Company shall announce the use of the proceeds as and when such funds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage disclosed in this Circular, and where there is any material deviation from the stated use of proceeds, the Company shall announce the reasons for such deviation. In the event the Warrants are exercised by the Lenders, the Company shall provide a status report on the use of proceeds in its annual report."

5.2. Financial performance and position of the Group

(a) Financial performance and position of the Group

Review of financial performance of the Group

The following are extracts from the audited consolidated financial statements of the Group for FY2016, FY2015 and FY2014 and the unaudited financial statements of the Group for HY2017 and HY2016 are set out below.

Figures are in S\$'000	Unaudited HY2017	Unaudited HY2016	Audited FY2016	Audited FY2015	Audited FY2014
Revenue	20,837	21,715	35,091	91,951	227,300
Cost of sales	(30,582)	(37,982)	(64,300)	(131,665)	(165,103)
Gross (loss)/profit	(9,745)	(16,267)	(29,209)	(39,714)	62,227
(Loss)/profit before tax	(19,541)	(62,976)	(125,583)	(260,611)	48,930
(Loss)/profit after tax	(19,529)	(63,458)	(126,318)	(260,432)	46,411
(Loss)/profit after tax attributable to owners of the Company	(17,426)	(55,189)	(107,487)	(229,642)	30,128

HY2017 vs HY2016

The Group recorded consolidated revenue of approximately S\$20.8 million in HY2017 as compared to approximately S\$21.7 million in HY2016. The decrease in revenue was mainly due to a lower contribution from the engineering business (being engineering design and project management services, as well as other oil and gas related services) ("**Engineering Business**"). The revenue from the Engineering Business declined from approximately S\$4.0 million in HY2016 to approximately S\$0.1 million in HY2017 (which accounted for approximately 0.6% of the Group's consolidated revenue in HY2017) due to completion of projects during FY2016 and a lack of new project awards during FY2017. Meanwhile, the revenue from the drilling business (being provision of drilling and rig management services to the oil and gas industry) ("**Drilling Business**") increased from approximately S\$17.8 million in HY2016 to approximately S\$20.7 million in HY2017 (accounted for approximately 99.4% of the Group's consolidated revenue in HY2017) due to higher fleet utilisation following the award of a number of charter contracts.

The Group reported gross loss of approximately S\$9.7 million for HY2017, which was 40.1% lower as compared to the gross loss of approximately S\$16.3 million reported for HY2016. The smaller gross loss in HY2017 occurred due to a decline of approximately S\$7.4 million in cost of sales which is higher than a decline of approximately S\$0.9 million in revenue. Cost of sales includes certain fixed costs associated with the Group's fleet of rigs such as depreciation which decreased from

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approximately S\$16.7 million in HY2016 to approximately S\$13.9 million in HY2017 (due mainly to the disposal of plant and equipment in FY2016).

The Group recorded other income of approximately S\$1.5 million in HY2017 as compared to approximately S\$0.2 million in HY2016.

The Group's total operating expenses (comprising administrative expenses and other operating expenses) amounted to approximately S\$20.1 million in HY2017 as compared to approximately S\$28.5 million in HY2016. Administrative expenses declined from approximately S\$10.8 million in HY2016 to approximately S\$9.4 million in HY2017 mainly due to reduced staff costs. Other operating expenses decreased from approximately S\$17.7 million in HY2016 to approximately S\$10.6 million in HY2017 due to the smaller loss on disposal of plant and equipment.

Finance income increased from approximately S\$2.8 million in HY2016 to approximately S\$3.2 million in HY2017. The finance income was mainly derived from interest income on loans provided to a joint venture. Finance costs decreased from approximately S\$10.2 million in HY2016 to approximately S\$9.1 million in HY2017 due to lower overall interest rates.

The Group's share of results from joint ventures was a profit of approximately S\$14.8 million for HY2017 as compared to the loss of \$11.0 million reported for HY2016. The positive share of results from joint ventures in HY2017 is mainly due to a S\$20.5 million gain recorded by PT Java Star Rig following a court ruling that the import duty had been previously overpaid. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "**KS Distribution Group**") deteriorated from a loss of approximately S\$2.7 million for HY2016 to a loss of approximately S\$5.8 million for HY2017.

The Group's loss before tax had reduced from approximately S\$63.0 million for HY2016 to approximately S\$19.5 million for HY2017. The Group's loss after tax attributable to the owners of the Company amounted to approximately S\$17.4 million for HY2017, which was 68.4% smaller than the loss after tax attributable to the owners of the Company of approximately S\$55.2 million for HY2016.

FY2016 vs FY2015

The Group recorded consolidated revenue of approximately S\$35.1 million in FY2016 as compared to approximately S\$92.0 million in FY2015. The decrease in revenue was mainly due to a lower contribution from the Drilling Business following the completion of charter contracts in Indonesia and Vietnam. We understand from the Management that the revenue from the Drilling Business declined sharply from approximately S\$81.2 million in FY2015 to approximately S\$27.0 million in FY2016 due to the completion of charter contracts in Indonesia and Vietnam. Revenue contribution from the Drilling Business accounted for approximately 77.1% of the Group's consolidated revenue for FY2016. Meanwhile, the revenue from the Engineering Business declined from approximately S\$10.9 million in FY2015 to approximately S\$8.1 million in FY2016. Revenue contribution from the Engineering business was about 22.9% of the Group's consolidated revenue for FY2016. Lastly, revenue generated by the Group but not attributable to either the Drilling Business or the Engineering Business decreased from approximately \$0.8 million for FY2015 to nil for FY2016 following the completion of a charter contract.

The Group reported gross loss of approximately S\$29.2 million for FY2016, which was 26.5% lower as compared to the gross loss of approximately S\$39.7 million reported for FY2015. The smaller gross loss in FY2016 occurred due to a decline of approximately S\$67.4 million in cost of sales which is higher than a decline of approximately S\$56.9 million in revenue. Cost of sales includes certain fixed costs associated with the Group's fleet of rigs such as depreciation which decreased from approximately S\$59.9 million in FY2015 to approximately S\$31.2 million in FY2016 (due to lower accelerated depreciation charges booked in FY2016, the disposal of plant and equipment in the second quarter of FY2016 and as a result of the impairment charges booked on plant and equipment during FY2015).

The Group recorded other income of approximately S\$0.6 million in FY2016 as compared to approximately S\$2.7 million in FY2015.

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The Group's total operating expenses (comprising administrative expenses and other operating expenses) amounted to approximately S\$75.8 million in FY2016 as compared to approximately S\$136.0 million in FY2015. Administrative expenses declined from approximately S\$22.5 million in FY2015 to approximately S\$19.4 million in FY2016 mainly due to reduced staff costs. Other operating expenses decreased substantially from approximately S\$113.5 million in FY2015 to approximately S\$56.4 million in FY2016. The substantial decline in the other operating expenses in FY2016 was due to net decrease of approximately S\$38.0 million in impairment losses on plant and equipment, a net decrease in impairment losses on joint ventures of approximately S\$52.9 million and a net decrease in impairment losses on intangible assets and goodwill of approximately S\$2.4 million offset against a net increase in impairment loss on trade receivables and loan to a joint venture of approximately S\$25.3 million, an increase in losses on disposal of plant and equipment of approximately S\$13.4 million and an additional write down of approximately S\$1.4 million on assets held for sale.

Finance income increased from approximately S\$2.9 million in FY2015 to approximately S\$5.8 million in FY2016. The finance income is mainly derived from interest income on loans provided to a joint venture and additional loans were provided in the first quarter of FY2016. Finance costs decreased from approximately S\$19.4 million in FY2015 to approximately S\$16.8 million in FY2016. The decrease in finance costs in FY2016 was mainly due to foreign exchange differences on United States Dollar denominated loans and lower interest rates during FY2016.

The group's share of results from joint ventures was a loss of approximately S\$10.1 million for FY2016 which was 85.8% lower than the loss of approximately S\$71.2 million reported for FY2015. The loss in FY2016 was mainly due to losses recorded by the distribution business (being 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) ("**Distribution Business**"). The Group's share of results from KS Distribution Group, before Group-level adjustments, improved from a loss of approximately S\$20.8 million in FY2015 to a loss of approximately S\$10.1 million in FY2016.

The Group's loss before tax decreased by approximately S\$135.0 million from approximately S\$260.6 million for FY2015 to approximately S\$125.6 million for FY2016. The Group's loss after tax attributable to the owners of the Company amounted to approximately S\$107.5 million for FY2016, which was 53.2% smaller than the loss after tax attributable to the owners of the Company of approximately S\$229.6 million for FY2015.

FY2015 vs FY2014

The Group posted consolidated revenue of approximately S\$92.0 million in FY2015, which is substantially lower as compared to consolidated revenue of approximately S\$227.3 million in FY2014. The substantial decrease in the Group's consolidated revenue was mainly due to a lower contribution from the Drilling Business following the completion of charter contracts in the Middle East and Vietnam during FY2015. Revenue from the Drilling business fell by approximately 61.2%, from approximately S\$209.5 million in FY2014 to approximately S\$81.2 million in FY2015. The decrease in revenue was mainly due to the completion of charter contracts for the jack-up drilling rigs in the Middle East, Indonesia and Vietnam during FY2015. Revenue contribution from the Drilling Business was about 88.3% of the Group's consolidated revenue for FY2015. Meanwhile, revenue from the Engineering Business increased by approximately 42.0% from approximately S\$7.7 million in FY2014 to approximately S\$10.9 million in FY2015. Revenue contribution from the Engineering Business was about 11.9% of the Group's consolidated revenue for FY2015. Lastly, revenue generated by the Group but not attributable to either the Drilling segment or the Engineering segment declined by approximately 93.0%, from approximately S\$11.4 million in FY2014 to approximately S\$0.8 million in FY2015 due to the completion of a charter contract during FY2015. Revenue contribution from this segment was about 0.9% of the Group's consolidated revenue for FY2015.

The Group's gross loss amounted to approximately S\$39.7 million for FY2015 as compared to gross profit of approximately S\$62.2 million for FY2014. We understand from the Management that in FY2015, the Group modified the classification of depreciation, rig insurance and stacking cost when the rig was off-charter from 'other operating expenses' to 'cost of sales'. This has resulted in an increase in the cost of sales and a decline in other operating expenses.

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The Group recorded other income of approximately S\$2.7 million for FY2015 (comprising mainly management fees and other income that is not directly related to the revenue generated from the Group's day-to-day operations) as compared to approximately S\$56.6 million for FY2014 (mainly attributable to the gain on disposal of plant and equipment amounting to approximately S\$54.1 million).

The Group's total operating expenses amounted to approximately S\$136.0 million in FY2015 as compared to approximately S\$64.4 million in FY2014. Administrative expenses decreased from approximately S\$37.8 million in FY2014 to approximately S\$22.5 million in FY2015, mainly due to lower staff costs in the Drilling Business. Other operating expenses increased by approximately S\$86.9 million from approximately S\$26.6 million in FY2014 to approximately S\$113.5 million in FY2015. The substantial increase in other operating expenses in FY2015 was attributable to an increase in impairment losses on joint ventures of approximately S\$48.7 million, an increase in impairment losses on plant and equipment of approximately S\$37.2 million, and an impairment losses on intangible assets of approximately S\$3.1 million.

Finance income increased from approximately S\$2.7 million in FY2014 to approximately S\$2.9 million in FY2015, mainly due to interest income on a loan provided to a joint venture in December 2012. Finance costs increased from approximately S\$19.2 million in FY2014 to approximately S\$19.4 million in FY2015. The increase in finance costs in FY2015 was mainly due to foreign exchange differences on United States Dollar denominated loans.

The Group's share of results from joint ventures was a loss of approximately S\$71.2 million in FY2015 as compared to a gain of approximately S\$11.0 million in FY2014. The Group's share of results from the KS Distribution Group, before Group-level adjustments, was a loss of approximately S\$20.8 million in FY2015 as compared to a profit of approximately S\$2.5 million in FY2014.

The Group registered a loss before tax of approximately S\$260.6 million in FY2015 as compared to a profit before tax of approximately S\$48.9 million in FY2014. The Group's loss after tax attributable to the owners of the Company amounted to approximately S\$229.6 million for FY2015 as compared to a profit after tax attributable to the owners of the Company of approximately S\$30.1 million in FY2014.

Review of financial position of the Group

Figures are in S\$'000	Unaudited HY2017	Audited FY2016	Audited FY2015	Audited FY2014
Non-current assets	500,904	529,416	608,203	758,941
Current assets	40,048	36,671	61,785	163,069
Non-current liabilities	349,451	354,172	47,577	302,906
Current liabilities	130,899	124,868	411,637	174,048
Total borrowings (including bank overdraft)	428,276	432,102	384,581	413,754
Shareholders' equity attributable to the owners of the Company	33,956	56,976	162,210	370,652
Net working capital	(90,851)	(88,197)	(349,852)	(10,979)

HY2017 vs FY2016

Assets

The Group's total non-current assets decreased from approximately S\$529.4 million as at 31 December 2016 to approximately S\$500.9 million as at 30 June 2017. Non-current assets mainly comprised plant and equipment of the Drilling Business. The carrying value of the rig fleet decreased from approximately S\$376.4 million as at 31 December 2016 to approximately S\$344.7 million as at 30 June 2017, due to depreciation charges and foreign exchange impacts. The carrying value of joint ventures decreased by 13.6% from approximately S\$42.8 million as at 31 December 2016 to approximately S\$37.0 million as at 30 June 2017 mainly due to the Group's share of results from the joint ventures (comprising the 55.35% equity interest in the KS Distribution Group, with a carrying amount of approximately S\$37.0 million as at 30 June 2017). Within non-current assets, amounts due from joint ventures increased from approximately S\$35.7 million as at 31 December 2016 to

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approximately S\$51.5 million as at 30 June 2017. The increase is mainly due to gain recorded by PT Java Star Rig following a court ruling that import duty had been previously overpaid of approximately S\$20.5 million.

Total current assets increased from approximately S\$36.7 million as at 31 December 2016 to approximately S\$40.0 million as at 30 June 2017. The increase in current assets was mainly due to higher cash and cash equivalents and trade receivables, offset by lower other assets. Cash and cash equivalents increased from approximately S\$8.8 million as at 31 December 2016 to approximately S\$14.0 million as at 30 June 2017. Other assets decreased from approximately S\$16.8 million as at 31 December 2016 to approximately S\$13.1 million as at 30 June 2017. Trade receivables increased from approximately S\$8.3 million as at 31 December 2016 to approximately S\$12.0 million as at 30 June 2017 due to the commencement of new charter contracts. The carrying value of assets held for sale as at 30 June 2017 was approximately S\$0.7 million (31 December 2016: S\$2.6 million) and relates to a drilling rig which is currently being marketed for sale.

The decrease in other current assets was mainly due to lower amounts under “value-added tax receivable”, “other debtors”, “withholding tax recoverable” and “prepayments” offset by the higher amounts of “deferred operating expenses”, “advanced payment to supplier” and “sundry deposits” as at 30 June 2017 compared to 31 December 2016. These balances mainly originate from the Drilling business and are routine in nature.

Liabilities

The Group's total liabilities increased from approximately S\$479.0 million as at 31 December 2016 to approximately S\$480.4 million as at 30 June 2017. This was principally attributable to approximately S\$6.1 million increase in trade and other payables from approximately S\$26.5 million as at 31 December 2016 to approximately S\$32.6 million as at 30 June 2017 which was offset by approximately S\$3.8 million decrease in total borrowings (including bank overdraft) from approximately S\$432.1 million as at 31 December 2016 to approximately S\$428.3 million as at 30 June 2017. Within current liabilities, amounts due to joint ventures increased from approximately S\$44 thousand as at 31 December 2016 to approximately S\$79 thousand as at 30 June 2017.

As at 30 June 2017, the Group's net working capital was in the negative of approximately S\$90.9 million, as compared to a negative net working capital of approximately S\$88.2 million as at 31 December 2016. The Group's gearing ratio (defined as total borrowings to total equity attributable to the owners of the Company) increased from approximately 7.6 times as at 31 December 2016 to approximately 12.6 times as at 30 June 2017, which was attributed to lower equity attributable to the owners of the Company (declined from approximately S\$57.0 million as at the end of FY2016 to approximately S\$34.0 million as at the end of HY2017 due to the loss incurred in HY2017).

It is further noted that the Group's total equity amounted to approximately S\$60.6 million as at 30 June 2017.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the unaudited financial statements for the Group for HY2017 and the audited financial statements for the Group for FY2016, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

FY2016 vs FY2015

Assets

The Group's total non-current assets decreased from approximately S\$608.2 million as at 31 December 2015 to approximately S\$529.4 million as at 31 December 2016. Non-current assets mainly comprised plant and equipment of the Drilling Business. The carrying value of the rig fleet decreased from approximately S\$425.5 million as at 31 December 2015 to approximately S\$376.4 million as at 31 December 2016, due to depreciation charges, impairment losses and the disposal of plant and equipment in FY2016. The carrying value of joint ventures decreased by approximately 18.5% from approximately S\$52.5 million as at 31 December 2015 to approximately S\$42.8 million as at 31 December 2016 mainly due to the Group's share of results from the joint ventures and the

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liquidation of a joint venture in FY2016. As at 31 December 2016, the joint ventures comprise the 55.35% equity interest in KS Distribution Pte Ltd, with a carrying amount of approximately S\$42.8 million. Within non-current assets, amounts due from joint ventures decreased from approximately S\$46.1 million as at 31 December 2015 to approximately S\$35.7 million as at 31 December 2016.

The Group's total current assets decreased by approximately 40.6% from approximately S\$61.8 million as at 31 December 2015 to approximately S\$36.7 million as at 31 December 2016. The decrease in current assets was mainly due to lower cash and cash equivalents and lower trade receivables. Cash and cash equivalents decreased from approximately S\$19.4 million as at 31 December 2015 to approximately S\$8.8 million as at 31 December 2016. Trade receivables decreased from approximately S\$22.8 million as at 31 December 2015 to approximately S\$8.3 million as at 31 December 2016 mainly due to the lower level of revenues. The carrying value of assets held for sale as at 31 December 2016 was approximately S\$2.6 million (31 December 2015: approximately S\$4.0 million) and relates to a drilling rig which is currently being marketed for sale. The increase in other current assets was mainly due to higher amounts under deferred operating expenses, withholding tax recoverable, value-added tax receivable and other debtors, offset partially by the lower amount of prepayments and sundry deposits as at 31 December 2016 as compared to 31 December 2015.

Liabilities

The Group's total liabilities increased by approximately 4.3%, from approximately S\$459.2 million as at 31 December 2015 to approximately S\$479.0 million as at 31 December 2016, which was mainly attributable to an increase of approximately S\$47.5 million in total borrowings, including bank overdraft (increased from approximately S\$384.6 million as at 31 December 2015 to approximately S\$432.1 million as at 31 December 2016), offset by a decrease of approximately S\$19.4 million in the provision for losses from joint ventures (declined from approximately S\$29.9 million as at 31 December 2015 to approximately S\$10.5 million as at 31 December 2016 following the settlement of a customs bond obligation during FY2016). Within current liabilities, amounts due to joint ventures reduced from approximately S\$4.1 million as at 31 December 2015 to nil as at 31 December 2016 due to the liquidation of a joint venture in the first quarter of FY2016.

As at 31 December 2016, the Group's net working capital was in the negative of approximately S\$88.2 million, which is an improvement as compared to a negative net working capital of approximately S\$349.9 million as at 31 December 2015. The Group's gearing ratio (defined as total borrowings to total equity attributable to the owners of the Company) increased from approximately 2.4 times as at 31 December 2015 to approximately 7.6 times as at 31 December 2016, which was attributed to lower equity attributable to the owners of the Company (declined from approximately S\$162.2 million as at the end of FY2015 to approximately S\$57.0 million as at the end of FY2016 due to the loss incurred in FY2016) and higher total borrowings (increased from approximately S\$384.6 million as at the end of FY2015 to approximately S\$432.1 million as at the end of FY2016).

It is further noted that the Group's total equity amounted to approximately S\$87.0 million as at 31 December 2016. In the event that the Group would register a loss after tax at the same magnitude as those recorded in FY2016 and assuming no corporate exercises to strengthen the equity, its total equity would turn negative.

FY2015 vs FY2014

Assets

The Group's total non-current assets decreased from approximately S\$758.9 million as at 31 December 2014 to approximately S\$608.2 million as at 31 December 2015. Non-current assets mainly comprise of the plant and equipment in the Drilling Business. The carrying value of the rig fleet decreased from approximately S\$568.2 million as at 31 December 2014 to approximately S\$500.5 million as at 31 December 2015, mainly due to depreciation charges and impairment losses. The carrying value of investments in joint ventures decreased by approximately 63.7% from S\$144.5 million as at 31 December 2014 to approximately S\$52.5 million as at 31 December 2015 mainly due to the Group's share of results from the joint ventures and an impairment loss on the investment in KS Distribution.

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The Group's total current assets decreased by approximately 62.1% from approximately S\$163.1 million as at 31 December 2014 to approximately S\$61.8 million as at 31 December 2015. The decrease in current assets was mainly due to lower trade receivables (decreased from approximately S\$64.5 million as at 31 December 2014 to approximately S\$22.8 million as at 31 December 2015 mainly due to lower revenues over the period) and lower cash and cash equivalents (decreased from approximately S\$78.2 million as at 31 December 2014 to approximately S\$19.4 million as at 31 December 2015). The carrying value of assets held for sale as at 31 December 2015 was approximately S\$4.0 million and relates to a drilling rig which is currently under negotiation with a potential buyer.

Liabilities

The Group's total liabilities decreased slightly by 3.7% from approximately S\$477.0 million as at 31 December 2014 to approximately S\$459.2 million as at 31 December 2015. This was principally attributable to a lower total borrowings (decreased from approximately S\$413.8 million as at 31 December 2014 to approximately S\$384.6 million as at 31 December 2015), a decrease of approximately S\$3.2 million in amounts due to joint ventures, a decrease of approximately S\$2.8 million in provisions for taxes and a decrease of approximately S\$11.8 million in trade and other payables, and was offset partially by a new provision for losses in a joint venture of approximately S\$29.9 million as at 31 December 2015.

As at 31 December 2015, the Group's net working capital was in the negative of approximately S\$349.9 million as compared to a negative net working capital of approximately S\$11.0 million as at 31 December 2014. The Group's gearing ratio (defined as total borrowings to total equity attributable to the owners of the Company) increased from approximately 1.1 times as at 31 December 2014 to approximately 2.4 times as at 31 December 2015, which was attributed to lower equity attributable to the owners of the Company (declined from approximately S\$370.7 million as at the end of FY2014 to approximately S\$162.2 million as at the end of FY2015 mainly due to the loss incurred in FY2015), which was offset partially by lower total borrowings (decreased from approximately S\$413.8 million as at the end of FY2014 to approximately S\$384.6 million as at the end of FY2015).

(b) Capital base and debt burden

We set out below summarised extracts of the financial position relating to the capital base and debt burden of the Group for HY2017, FY2016, FY2015 and FY2014:-

S\$'000	Unaudited HY2017	Audited FY2016	Audited FY2015	Audited FY2014
Shareholders' equity ⁽¹⁾	33,956	56,976	162,210	370,652
Borrowings ⁽²⁾				
Current portion – External (including bank overdraft)	89,342	88,978	368,711	116,139
Non current portion – External	338,934	343,124	15,870	297,615
Total Borrowings ⁽³⁾	428,276	432,102	384,581	413,754
Cash and cash equivalent	13,952	8,754	19,422	78,210
Total borrowings (net of cash)	414,324	423,348	365,159	335,544
Gearing ratio ⁽⁴⁾ (times)	12.6	7.6	2.4	1.1
Net gearing ratio ⁽⁵⁾ (times)	12.3	7.4	2.2	0.9
Total liabilities/Shareholders' equity (times)	14.1	8.4	2.8	1.3

Notes:

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

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- (2) *Borrowings includes bank overdraft, bills payable, secured and unsecured bank loans, convertible bonds, and short term borrowings from a shareholder.*
- (3) *Total borrowings is defined as borrowings from banks and financial institutions, trust receipts and finance lease liabilities.*
- (4) *Gearing ratio is defined as the ratio of total borrowings to shareholders' equity while leverage ratio is defined as the ratio of total liabilities to Shareholders' equity.*
- (5) *Net gearing ratio is defined as the ratio of total borrowings net of cash and cash equivalent to shareholders' equity.*
- (6) *All discrepancies in the figures included herein between the listed and total amounts thereof are due to rounding.*

We wish to highlight that the Group's net gearing ratio had increased significantly from approximately 0.9 times as at the end of FY2014 to approximately 2.3 times as at the end of FY2015, approximately 7.4 times as at the end of FY2016, and approximately 12.3 times as at the end of HY2017. In addition, the ratio of total liabilities to shareholders' equity for the Group had increased significantly from approximately 1.3 times as at the end of FY2014 to approximately 2.8 times as at the end of FY2015, approximately 8.4 times as at the end of FY2016, and approximately 14.1 times as at the end of HY2017. As mentioned earlier, the deteriorated financial position of the Group was mainly attributable to the decline in its shareholders' equity (due mainly to the losses incurred in FY2015, FY2016 and HY2017), as well as the high amount of borrowings as at the end of FY2016 and HY2017 as compared to FY2015.

The Directors have confirmed that as at the Latest Practicable Date, there has been no occurrence of (a) breach of financial covenants, (b) receipt of letter of demand from its lenders, and (c) stand-still arrangement in connection to the Group's borrowings.

As at 30 June 2017, the Group's total borrowings of approximately S\$428.3 million comprised the following:-

	Carrying amount as at 30 June 2017 (S\$' million)
<u>Current portion</u>	
Bank overdraft	4.2
Related party loan	0.2
Secured bank loans	8.9
Existing Convertible Bonds	63.0
Existing Loans (being short term borrowings from a Shareholder, POEL)	<u>13.1</u>
	89.4
<u>Non-current portion</u>	
Secured bank loans	328.9
Bridging Loan 1 and 2 (defined later)	10.0
	338.9
TOTAL	428.3

As highlighted earlier the Existing Convertible Bonds comprised the aggregate S\$45.0 million 6.00 per cent convertible bonds due 2016 held by OCBC, POEL and HW, which was issued in 2013 ("**2013 Convertible Bonds**") and the aggregate S\$7.5 million 6.00 per cent convertible bonds due 2016 held by TAEL which was issued in 2015 ("**2015 Convertible Bonds**"). We note that the initial maturity date for the 2013 Convertible Bonds fell on 21 March 2016 and subsequently the Group obtained agreement from the relevant bondholders to extend the maturity date to 21 June 2016, 21 September 2016, 21 December 2016, 21 March 2017, 21 June 2017, 21 September 2017 and 21 December 2017. The 2013 Convertible Bonds will be refinanced by the Proposed Bonds Issue. In addition, the maturity date for the 2015 Convertible Bonds fell on 21 September 2016, and the Group had agreed with TAEL to refinance the 2015 Convertible Bonds by the Proposed Bonds Issue.

The Proposed Bonds Issue is to refinance the Existing Convertible Bonds and the Existing Loans.

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In addition, it is noted that during FY2016, the Group had completed the following refinancing:-

- (i) KS Drilling Pte. Ltd. (“**KS Drilling**”) has a secured bank loan with carrying value of approximately US\$112.9 million (equivalent to approximately S\$163.4 million) at 31 December 2016. Under the terms of the facility agreement, the loan was repayable within 2017. However, as the Group had the unconditional right to refinance the loan, a portion of this loan has been classified as non-current according to the repayment schedule of the refinancing arrangement. On 10 January 2017 this loan refinancing was completed and the loan was amended to be repayable in tranches over the next 7 years.
- (ii) KS Rig Invest Three Ltd (“**KSRI3**”) has a secured bank loan with carrying value of approximately US\$116.2 million (equivalent to approximately S\$168.0 million) as at 31 December 2016. Under the terms of the facility agreement, the loan was repayable in tranches within the next 5 years. However, as the Group had the unconditional right to refinance the loan, a portion of this loan has been classified as non-current according to the repayment schedule of the refinancing arrangement. On 10 January 2017 this loan refinancing was completed and the loan was amended to be repayable in tranches over the next 7 years.

Lastly, we note from the results announcement for the unaudited financial statements for HY2017 that the Group has capital commitments of approximately S\$260.5 million for an asset under construction due on 31 December 2018 and a capital commitment of S\$233.0 million for an asset under construction due on 31 December 2019. The Group plans to seek the necessary financing closer to the date of delivery and is expected to have sufficient resources to meet the capital commitments of the Group.

(c) Material uncertainty related to going concern

We note that the Independent Auditors’ Report dated 31 March 2017 (“**Independent Auditors’ Report**”) on the Group’s and Company’s financial statements for FY2016 contained a statement on material uncertainty related to going concern. The following paragraphs as set out in italics below are extracted from the Independent Auditors’ Report (pages 52 to 53 of the AR2016) and note 2.1 to the audited financial statements of the Group for FY2016. We recommend that Non-Interested Directors advise Shareholders to read this section of the AR2016 carefully:-

“Material uncertainty related to going concern

We draw attention to:

- *Note 2.1 to the financial statements which indicates that the Group incurred a net loss of \$126,318,000 during the year ended 31 December 2016 and, as of that date, the Group’s and the Company’s current liabilities exceed current assets by \$88,197,000 and \$99,447,000 respectively;*
- *Note 2.1 and Note 22 to the financial statements which state the Group’s convertible bonds of \$61,560,000 and short-term borrowings from a shareholder of \$13,302,000 are subject to restructuring as at the date of this report; and*
- *Note 30 to the financial statements which indicates that the Group has a capital commitment of \$244,782,000 for an asset under construction due for delivery on 31 December 2017.*

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

- (i) *The Group’s ability to reach agreement with the lenders to restructure the convertible bonds with a carrying amount of \$61,560,000 and short-term borrowings with a carrying amount of \$13,302,000. Such restructuring includes the extension of the maturity date of the restructured debt obligations beyond the next twelve months from the reporting date.*

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- (ii) *From (i) above, the Group is able to complete the re-financing of bond obligations thereby avoiding the triggering of cross default clauses on other borrowings of \$343,124,000, currently classified as non-current liabilities, causing them to become repayable on demand.*
- (iii) *The finalisation of a bridging loan of \$5,000,000 from a financial institution.*
- (iv) *The Group's ability to complete the financing arrangement with an identified financier for the capital commitment of \$244,782,000 for an asset under construction due on 31 December 2017.*

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

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter."

Note 2.1 to the Group's audited financial statements for FY2016 are reproduced in italics below.

"2.1 Going concern basis of accounting

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

The Group has recognised a loss after tax of \$126,318,000 (2015: \$260,432,000) for the year ended 31 December 2016 and as at that date, the Group's and the Company's current liabilities exceed current assets by \$88,197,000 and \$99,447,000 (2015: \$349,852,000 and \$78,845,000) 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 2016 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the (i) Group's operating activities, (ii) asset divestment plans and (iii) financing plans.

(i) Operating activities

Although the Group expects the overall operating cash flow to remain negative in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

(ii) Asset divestment plans

The Group plans to divest certain non-core assets.

(iii) Financing plans

The Group is currently in negotiations with the bondholders and a shareholder to restructure some of its debts by rolling over an aggregated outstanding sum of \$74,862,000, comprising \$61,560,000 of outstanding convertible bonds and \$13,302,000 of shareholder loan, together with the cumulative accrued interest and bond premium, to be repayable more than twelve months from the reporting date, without triggering cross default clauses on other borrowings of \$343,124,000, currently classified as non-current liabilities, causing them to become repayable on demand.

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The Group has also applied for and is currently awaiting finalisation of a bridging loan of \$5,000,000 from a financial institution.

The Group has capital commitment of \$244,782,000 as at 31 December 2016 for an asset under construction due on 31 December 2017. The Group plans to seek the necessary financing closer to the date of delivery from an identified financier.

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

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

- The eventual conclusion and timing of execution of several rig charter contracts currently subject to on-going negotiations with prospective customers;*
- The realisation of the asset divestment plans, and the timing and value of the cash proceeds to be raised from such divestments; and*
- The successful implementation of the financing plans.*

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

We further note from the results announcement for HY2017 dated 14 August 2017 that the going concern of the Group is premised on, *inter alia*, continuing availability of credit facilities to the Group for at least another twelve months from end of HY2017, and the sufficiency of cash flows to be generated from (i) the Group's operating activities; (ii) asset divestment plans and (iii) other financing plan being the Proposed Bonds Repurchase and the Proposed Bonds Issue.

The following paragraphs as set out in italics below are extracted from the results announcement dated 14 August 2017 for HY2017 (page 14 – 15). We recommend that Non-Interested Directors advise Shareholders to read this section of the results announcement dated 14 August 2017 carefully:–

"Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the period ended 30 June 2017 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. Operating activities

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

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ii. *Assets divestment plans*

The Group plans to divest certain non-core assets.

iii. *Financing plans*

The Company is currently finalising agreements with its bondholders and a shareholder to repurchase the 2013 Bonds and the 2015 Bonds with a combined outstanding value of \$63.0 million and shareholder loans with an outstanding value of \$13.1 million and issue a new secured fixed rate bond due in 2020."

It should be noted that the Proposed Bonds Issue, if approved by the Shareholders, may not address the Group's going concern issue in its entirety as the ability of the Group to fulfil its ongoing obligation going forward will also depend on, *inter alia*, market condition, revenue as well as expenses. In addition, it should be noted that in the event that the Proposed Bonds Issue is not approved by the Shareholders, there is no certainty that the Lenders will further extend the maturity date for the Existing Bonds or call for an event of default for the Existing Bonds.

(d) Financial performance and position of KS Drilling

We note from Section 1.6 of the Circular that as at the Latest Practicable Date, the Company owns 80.09% of the equity interest of KS Drilling (the "**Charged Assets**"). As continuing security for the payment and discharge of the Company's obligations under the Bonds, the Company shall charge their rights, title, interests, benefits and claims in the Charged Assets by way of a first ranking fixed charge in favour of the Security Trustee (as defined in the Circular), subject to the terms of the share charge that shall be mutually agreed among the Company, the Security Trustee and the Lenders. Following the occurrence of an event of default under the terms and conditions of the Bonds, the Security Trustee (acting on the instruction of the Lenders) shall be entitled to foreclose on all or any part of the Charged Assets. Accordingly, the foreclosure on all the Charged Assets by the Security Trustee under the Proposed Security Arrangement (as defined in the Circular) shall constitute a major transaction within the meaning of Chapter 10 of the Listing Manual, and Shareholders' approval shall therefore be obtained to give effect to the Proposed Security Arrangement. In connection therewith, the Share Charge shall only be executed in favour of the Security Trustee upon Shareholders' approval being obtained.

The Directors have confirmed that as the Security Arrangement provides for the proportionate sharing of security based on the amount outstanding for the Bonds, it is on a *pari passu* basis and the Security Arrangement available to the Interested Persons are the same as those accorded to the non-interested persons, being OCBC and TAEL. Thus, the Interested Persons, being POEL and HW, are acting solely as a lender under the Proposed Bonds Issue and are not preferred as compared to the non-interested persons. In addition, the Directors have represented and confirmed that under the Proposed Bonds Issue, all bondholders, regardless whether they are considered as "interested person" under Chapter 9 of the Listing Manual, are entitled to vote at the bondholders' meeting and that bondholders holding not less than 45% in principal amount of the Bonds then outstanding may call for an event of default upon occurrence of certain events prescribed under the terms and conditions for the Proposed Bonds Issue. We note that the Interested Persons, being POEL and HW, hold in aggregate 42.7% of the principal amount of the Bonds and as such, the Interested Persons alone cannot call for an event of default.

In view of the Proposed Security Arrangement, we have also reviewed the historical financial performance and position of KS Drilling and its subsidiaries ("**KS Drilling Group**"). A summary of the unaudited consolidated financial statements of the KS Drilling Group for HY2017 and HY2016, and the audited financial statements for FY2016, FY2015 and FY2014 are set out below.

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Summary of consolidated statement of income

Figures are in US\$'000	Unaudited HY2017	Unaudited HY2016	Audited FY2016	Audited FY2015	Audited FY2014
Revenue	14,738	12,839	19,704	60,044	166,040
Cost of sales	(21,584)	(23,157)	(40,351)	(74,159)	(119,914)
Gross (loss)/profit	(6,846)	(10,318)	(20,647)	(14,115)	46,126
(Loss)/profit before tax	(5,896)	(27,542)	(65,078)	(110,702)	54,972
(Loss)/profit after tax	(5,975)	(27,909)	(65,652)	(111,090)	53,232
(Loss)/profit after tax attributable to owners of KS Drilling	(5,739)	(27,489)	(65,003)	(111,448)	52,566

Note: Figures and computation presented in this section are subject to rounding

Summary of consolidated statement of financial position

Figures are in US\$'000	Unaudited HY2017	Audited FY2016	Audited FY2015	Audited FY2014
Non-current assets	350,300	349,962	387,445	452,418
Current assets	28,923	25,764	42,160	112,737
Non-current liabilities	250,156	244,805	30,107	190,155
Current liabilities	29,499	25,370	229,029	93,539
Total borrowings (including overdraft)	252,054	246,935	219,153	250,004
Shareholders' equity attributable to the owners of KS Drilling	100,327	106,074	170,343	281,693
Net working capital	(576)	394	(186,869)	19,198

Note: Figures and computation presented in this section are subject to rounding

We note the following:-

- (i) As stated in the Group's AR2016, the Group's principal operating segment, being the Drilling Business, is held under its 80.09% owned subsidiary, KS Drilling. It is noted from the Group's AR2016 that the Drilling Business contributed approximately 77.1% of the Group's consolidated revenue for FY2016 and accounted for approximately 91.6% of the Group's total assets as at the end of FY2016.
- (ii) It is noted that the KS Drilling Group's revenue has declined substantially in the past three financial years, down from approximately US\$166.0 million in FY2014 to approximately US\$60.0 million and US\$19.7 million in FY2015 and FY2016 respectively. However, it recorded revenue of approximately US\$14.7 million in HY2017, representing approximately 74.8% of its revenue in FY2016. The KS Drilling Group was profitable in FY2014 with profit after tax attributable to the owners of the company of approximately US\$52.6 million (mainly due to the gain on disposal of plant and equipment which was non-recurring in nature), it was loss making in the past two consecutive financial years with loss after tax attributable to the owners of the company of approximately US\$111.4 million and US\$65.0 million in FY2015 and FY2016 respectively. The KS Drilling Group continued to record loss after tax attributable to the owners of the company in HY2017, however it had reduced to approximately US\$5.7 million as compared to a loss after tax attributable to the owners of the company of approximately US\$27.5 million in HY2016.
- (iii) The KS Drilling Group's net working capital position has improved from approximately negative US\$186.9 million as at the end of FY2015 to approximately positive US\$0.4 million as at the end of FY2016. The improvement in the KS Drilling Group's net working capital position in FY2016 was mainly due the substantial decline in the current portion of the financial liabilities (declined from approximately US\$211.4 million as at the end of FY2015 to approximately US\$9.8 million attributable to the amendments to the secured loan agreements), a decline of approximately US\$1.7 million in the trade and other payables, and a decline of approximately US\$0.3 million in provision for current tax which was offset partially by a decline of approximately US\$16.4 million in the current assets (mainly attributable to lower trade

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receivables, cash and cash equivalents, and assets held for sale). The KS Drilling Group's net working capital position had returned to a negative, approximately US\$0.6 million, as at 30 June 2017.

- (iv) We note that the KS Drilling Group's gearing ratio stood at 2.3 times as at 31 December 2016 and 2.5 times as at 30 June 2017. We observed that the shareholders' equity for the KS Drilling Group deteriorated from approximately US\$281.7 million as at 31 December 2014 to approximately US\$170.3 million as at 31 December 2015, approximately US\$106.1 million as at 31 December 2016, and approximately US\$100.3 million as at 30 June 2017 due mainly to the losses incurred in FY2015, FY2016 and HY2017.

The total borrowings of the KS Drilling Group amounted to approximately US\$250.0 million, US\$219.2 million, US\$246.9 million, and US\$252.1 million as at the end of FY2014, FY2015, FY2016 and HY2017 respectively.

We further note that the bank loans amounted to approximately US\$230.2 million as at the end of HY2017 (FY2016: approximately US\$229.1 million) of the Group are secured over:

- the rights and benefits arising from the KS Drilling Group's rigs with total carrying amount of approximately US\$205.1 million (FY2016: approximately US\$212.5 million) and asset held for sale with total carrying amount of approximately US\$0.5 million (FY2016: approximately US\$1.8 million) respectively; and
- jointly and severally issued corporate guarantees by KS Energy Limited as well as subsidiaries and joint venture companies of KS Drilling to the bank.

The aggregate value of loans granted by KS Energy Limited as well as subsidiaries of the Company are subordinated to the bank loan.

The remaining bank loan is secured over the rights and benefits arising from the KS Drilling Group's rig with the carrying amount of approximately US\$36.7 million (FY2016: approximately US\$38.7 million) and deposits pledged of approximately US\$0.6 million (FY2016: approximately US\$1.2 million).

We note that all rigs and related assets as well as assets held for sale with aggregate carrying amount of approximately US\$242.3 million (or approximately 64% of total consolidated assets) as at 30 June 2017 under the KS Drilling Group have been used to secure its loans.

- (e) It is noted that in the independent auditors report dated 11 May 2017 ("**KS Drilling Independent Auditors' Report**") on the KS Drilling Group's financial statements for FY2016 contains a statement on material uncertainty related to going concern. The following paragraphs as set out in italics below are extracted from the KS Drilling Independent Auditors' Report and note 2.1 to the audited financial statements of the KS Drilling Group for FY2016:-

"Material uncertainty related to going concern

We draw attention to Note 2.1 and Note 25 to the financial statements which indicates that the Group has a capital commitment of US\$169,200,000 for an asset under construction ("new build") due for delivery on 31 December 2017.

As explained therein, the financial statements have been prepared on a going concern basis, the validity of which is premised on the Group's ability to complete the financing arrangement for the new build.

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This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern if the financing arrangement for the new build were not secured to meet the Group's capital obligations as and when they fall due.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of assets and liabilities, and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements. Our opinion is not modified in respect of this matter."

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

"2.1 Going concern basis of accounting

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

The Group incurred a net loss of US\$65,652,000 for the year ended 31 December 2016. In analysing the going concern position of the Group, management of the Company has considered the ability of the group to generate sufficient cash flows from its operating activities to repay its debt obligation as and when they fall due within the next twelve months. The Group is forecast to generate positive operating cash flows in the next twelve months.

Subsequently to the year end, the Group secured four drilling contracts, and together with a loan of US\$3,500,000 received under the Bridging Loan for Marine & Offshore Engineering Companies as announced by the Ministry of Trade and Industry, the Group is confident of generating positive cash flows (excluding the capital commitment) in the next twelve months from the reporting date.

Separately, the Group has capital commitment of US\$169,200,000 for an asset under construction due on 31 December 2017. The Group plans to seek the necessary financing closer to the date of delivery. Management of the Group is confident that financing for the asset under construction would be obtained when the asset is eventually due for delivery.

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. "

5.3. Assessment of the interest rate and yield-to-maturity for the Proposed POEL Transactions and Proposed HW Transactions

(a) Theoretical value of the Warrants

We note that whilst the Warrants to be granted to the Lenders (including POEL and HW) are free and non-listed, the Warrants may be exercised at any time immediately after 21 December 2017 (the "**Closing Date**") and expiring on the third (3rd) anniversary of the Closing Date or such later expiration date (as may be determined in accordance with the terms and conditions of the Warrants) at an exercise price of S\$0.045 ("**Exercise Price**").

Last transacted price based on	Closing price per Share (S\$)	Premium of the Exercise Price over the closing price (%)	Value of the Warrant	Intrinsic value per Warrant ⁽¹⁾ (S\$)
As at the last Trading Day prior to the Announcement Date	0.035	28.6%	Out-of-the-money	n.m.

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Note:

- (1) The intrinsic value is the difference between the last transacted price as at the Announcement Date and the Exercise Price.

We note that the Exercise Price of S\$0.045 represents a premium of approximately 28.6% over the last transacted price of S\$0.035 per Share as at the last Trading Day prior to the Announcement Date, which means the Warrants would have been out-of-the-money had they been issued and allotted at as the Announcement Date.

Warrants have a theoretical market value (being the hypothetical value or “fair value” of the share option computed based on models such as Black-Scholes or Binomial model based on several assumptions (as described in the following section) which is dependent on, *inter alia*, the exercise price vis-à-vis the current price of the underlying Shares, the length of the exercise period, the price volatility of the underlying Shares and the risk-free interest rate. We have considered the valuation of the Warrants using the theoretical value of the Warrants based on both the Black-Scholes and Binomial model, which is a common methodology used in the calculation of warrants. Notwithstanding the theoretical market value, the Warrants are to be issued to the Lenders (including POEL and HW) at no consideration.

Our key assumptions used for computing the theoretical market value of the Warrants are as follow:

- (i) Grant date: As at the Announcement Date;
- (ii) Volatility estimation: Using historical prices of the Shares for the 1 year period prior to and including the Announcement Date to estimate the volatility of the Shares;
- (iii) Risk-free rate: The 3-year yield of an existing benchmark Singapore Government Securities Treasury Bonds;
- (iv) Time to expiration: Approximately three (3) years; and
- (v) No dividend.

Last transacted price based on	Theoretical market value per Warrant (S\$)	Total consideration (based on the theoretical market value) (S\$ million)	Market Capitalisation (S\$ million)	Total consideration as percentage of market capitalisation (%)
As at the last Trading Day prior to the Announcement Date	0.0140	0.9	18.0	5.1%

Based on the above key assumptions, we have derived theoretical market value of approximately S\$0.0140 for each of the Warrant with 3 years term and the total consideration for the grant of the Warrants is approximately S\$0.9 million (or approximately 5.1% of the Company’s market capitalisation of approximately S\$18.0 million as at the Announcement Date).

We note that the estimated amount of gross proceeds from the exercise of the Warrants (assuming that all the Warrants are exercised) is approximately S\$2.95 million.

The yield-to-maturity for the Bonds before adjusting with the theoretical value for the Warrants (“**YTM**”) is between 8.1% (three (3) years from the Closing Date) (the “**Maturity Date**”) and 8.2% (based on the right (but not obligation) to direct the Company to extend the maturity date of the Bonds held by the bondholder for an additional year from the Maturity Date, such date being four (4) years from the Closing Date) (the “**Extended Maturity Date**”). For illustrative purpose only, we have computed the yield-to-maturity for the Bonds adjusted with the theoretical value for the Warrants (“**Adjusted YTM**”). In the computation of the Adjusted YTM for the Proposed Bonds Issue, we have

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deducted the theoretical market value of approximately S\$0.9 million (as at the Announcement Date) from the principal amount of the Bonds of S\$65.5 million. The Adjusted YTM for the Proposed Bonds Issue is approximately 8.6% per annum (based on both the Maturity Date and the Extended Maturity Date) as at the Announcement Date.

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

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

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

We note that for the period from January 2017 to September 2017, the Singapore's prime lending rate ("**Singapore Prime Lending Rate**") is at 5.28% per annum and this is higher than the interest rate for the Proposed POEL Transactions and Proposed HW Transactions as Interested Person Transactions but lower than the YTM and the Adjusted YTM for the Proposed POEL Transactions and Proposed HW Transactions as Interested Person Transactions.

We wish to highlight that banks and finance companies determine their prime lending rates based on factors, *inter alia*, cost of funds, spread to cover credit risks, operating expenses and a desired return on shareholders' funds. Credit risks of the borrowers' vary based on, *inter alia*, general economy environment in which the borrowers operates in, financial performance, financial position, existing debt burden, credit history, and availability of assets to be securitised/collateralized. As such, comparison of the interest rate, the YTM and the Adjusted YTM for the Proposed POEL Transactions and Proposed HW Transactions as Interested Person Transactions with the Singapore Prime Lending Rate is necessarily limited and serves as an illustrative purpose only.

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

In our evaluation of interest rate, the YTM and the Adjusted YTM for the Proposed POEL Transactions and Proposed HW Transactions as Interested Person Transactions, we have also assessed the Group's cost of capital as a proxy of the Group's costs for funds. We note from Bloomberg that the weighted average cost of capital ("**WACC**") of the Group is approximately 2.6% per annum as at the Latest Practicable Date.

We note that the interest rate for the Bonds for the first two years of 1.15% per annum and 2.0% per annum respectively are lower than the Group's WACC, whilst the interest rate for the Bonds for the third year and the fourth year (in the event that Lenders exercises their right to extend the Maturity Date) of 3.0% per annum and 4.0% per annum respectively are higher than the Group's WACC.

The WACC is lower when compared with the YTM and the Adjusted YTM for the Bonds (based on both the Maturity Date and the Extended Maturity Date). However, we also note that the cost of equity for the Group of approximately 10.2% is higher than both the YTM and Adjusted YTM for the Bonds.

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

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(d) Comparison of the Group's existing borrowings and the Proposed POEL Transactions and the Proposed HW Transactions

The following table sets out a comparison between the Group's existing borrowings and the Proposed POEL Transactions and Proposed HW Transactions as Interested Person Transactions:

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Type of credit facilities	Interest rate per annum (%)	Year of maturity	Carrying amount (S\$ million)	Security/collateral
Existing Convertible Bonds (being the 2013 Convertible Bonds and the 2015 Convertible Bonds)	6.0%	2013 Convertible Bonds – 3 years (original maturity date was 21 March 2016 and subsequently extended numerous times to 21 December 2017) 2015 Convertible Bonds – 10 months (original maturity date was 21 September 2016) 2013 Convertible Bonds and 2015 Convertible Bonds are subject to restructuring and refinancing via the Proposed Bonds Issue	63.0	Unsecured
Existing Loans, being the short term borrowings from a Shareholder, POEL	2%	1 year (January 2017 to 31 December 2017) This is subject to restructuring and refinancing via the Proposed Bonds Issue	13.1	Unsecured
Secured bank loans from a Singapore financial institution (“ Singapore Loan ”) (refinanced on 10 January 2017)	Nov 16 – Nov 18 (first 25 months) – 2.14% (1% + cost of fund (“ COF ”)) Nov 18 – Dec 20 (next 25 months) – 3.14% (2% + COF) Dec 20 onwards – 4.14% (3% + COF)	7 years (November 2016 to November 2023)	322.4	Secured over the rights and benefits arising from the Group’s rigs with a carrying amount of approximately S\$352.9 million as at 30 June 2017.
Secured bank loans from a Indonesian financial institution (“ Indonesian Loan ”) (refinanced on 15 April 2016 and 20 April 2017)	6.25%	5.5 years (12 October 2012 to 23 March 2018) (original maturity date was 23 March 2018 and subsequently extended to 23 December 2022)	15.5	Secured over the rights and benefits arising from the Group’s rigs with a carrying amount of approximately S\$31.0 million as at 30 June 2017.

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Type of credit facilities	Interest rate per annum (%)	Year of maturity	Carrying amount (S\$ million)	Security/collateral
Bridging loan ("Bridging Loan 1")	5.0% (No repayment in the first 2 years. Thereafter, monthly repayment)	5 years (February 2017 to February 2022)	5.0	Unsecured
Bridging loan ("Bridging Loan 2")	5.0% (No repayment in the first 2 years. Thereafter, monthly repayment)	4 years (April 2017 to May 2021)	5.0	Unsecured
Proposed Transaction and Proposed Transaction	<p>Coupon</p> <p>From and including the Closing Date to, but excluding 21 December 2018: 1.15% per annum</p> <p>From and including 21 December 2018 to, but excluding 21 December 2019: 2.0% per annum</p> <p>From and including 21 December 2019 to, but excluding the Maturity Date: 3.0% per annum</p> <p>From and including the Maturity Date to but excluding the Extended Maturity Date: 4.0% per annum</p>	<p>3 years + 1 year extension (with the Lender having the right, but not obligation, to extend the maturity) ⁽¹⁾</p>	28.0	Share Charge over the Charged Asset, being 80.09% of the equity interest of KS Drilling.

Source: The Company's annual report for FY2016 ("AR2016"), representation by the Management and as stated in the Circular.

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It should also be noted that the Existing Convertible Bonds and the Existing Loans which mature in 2017 would be repurchased and refinanced by the Proposed Bonds Issue. We understand from the discussion with the Management that as at the Latest Practicable Date, there has been no material change to the terms of the Group's existing credit facilities as disclosed above.

For illustrative purpose only, we note from the above table that the interest rate for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions is fairly comparable or more favourable than the interest rates for the Group's existing bank loan (comprising the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2). However, the YTM or the Adjusted YTM for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions is higher and less favourable than the interest rates for the Group's existing bank loan (comprising the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2).

Non-Interested Directors should note that the comparison between the Bonds (under the Proposed POEL Transactions and the Proposed HW Transactions) and the Group's existing bank loan (comprising the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2) is necessarily limited and meant for illustration purpose only in view of the differences in the type of instrument, securities and guarantees, as well as the purpose for the issuance of such instruments may be different.

Comparison with previous bond issuances by the Group

The Group had issued the following bonds:-

- (i) In 2010, the Company issued 3.0% convertible bonds with a principal amount of S\$107.0 million due in 2015 (the **"2010 Convertible Bonds"**). The holders of the 2010 Convertible Bonds were TAEI and DnB NOR Bank ASA, Singapore branch. The 2010 Convertible Bonds can be fully redeemed at the holders' option on 26 March 2013 at 100% principal amount or held to maturity and redeemed on 26 March 2015 at 108.5% of the principal amount. In 2013, S\$90.0 million in principal amount of the 2010 Convertible Bonds were redeemed by the holders in 2013 and the remaining S\$17 million bonds were redeemed in 2015.
- (ii) The 2013 Convertible Bonds (6.0% convertible bonds with a principal amount of S\$45.0 million originally due in March 2016) - As at the Latest Practicable Date, the holders of the 2013 Convertible Bonds are OCBC (for principal amount of S\$30.0 million), POEL (for principal amount of S\$5.5 million) and HW (for principal amount of S\$9.5 million). As mentioned earlier, the Group obtained agreement from the relevant bondholders to extend the maturity date to 21 June 2016, 21 September 2016, 21 December 2016, 21 March 2017, 21 June 2017, 21 September 2017 to 21 December 2017. The 2013 Convertible Bonds will be refinanced by the Proposed Bonds Issue.
- (iii) The 2015 Convertible Bonds (6.0% convertible bonds with a principal amount of S\$7.5 million originally due in September 2016) - As at the Latest Practicable Date, the holder of the 2015 Convertible Bonds is TAEI. As mentioned earlier, the Group had agreed with TAEI to refinance the 2015 Convertible Bonds by the Proposed Bonds Issue.

For illustrative purpose only, we have extracted and compared the salient terms of the 2010 Convertible Bonds, 2013 Convertible Bonds, the 2015 Convertible Bonds and the Proposed Bonds Issue.

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	The Proposed POEL Transactions and the Proposed HW Transactions	2010 Convertible Bonds	2013 Convertible Bonds	2015 Convertible Bonds
Announcement date	26 May 2017	25 January 2010	28 February 2013	21 September 2015
Issue size	S\$28.0 million (or S\$65.5 million for the Proposed Bonds Issue)	S\$107.0 million	S\$45.0 million	S\$7.5 million
Issue price	100% of the principal amount	89.34% of the principal amount	100% of the principal amount	100% of the principal amount
Interest rate/coupon	From and including the Closing Date to, but excluding 21 December 2018: 1.15% per annum From and including 21 December 2018 to, but excluding 21 December 2019: 2.0% per annum From and including 21 December 2019 to, but excluding the Maturity Date: 3.0% per annum From and including the Maturity Date to but excluding the Extended Maturity Date: 4.0% per annum	3.0% per annum	6.0% per annum	6.0% per annum
Yield-to-maturity	8.1% per annum (without taking into account effect of free Warrants and based on the Maturity Date) and 8.2% per annum (without taking into account effect of free Warrants and based on the Extended Maturity Date)	7.0% per annum (without taking into account effect of the conversion of the 2010 Convertible Bonds)	10.3% per annum (without taking into account effect of the conversion of the 2013 Convertible Bonds and based on the extended maturity date)	11.0% per annum (without taking into account effect of the conversion of the 2015 Convertible Bonds)
Maturity	3 years + 1 year extension (with the Bondholder having	3 years + 2 year extension (with the bondholder having	3 years	10 months

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	The Proposed Transactions and the POEL	2010 Convertible Bonds	2013 Convertible Bonds	2015 Convertible Bonds
	the right, but not obligation, to extend the maturity)	the right, but not obligation, to extend the maturity)		
Final redemption	On Maturity Date: 119.82% On Extended Maturity Date: 125.90%	On maturity date: 100% On the extended maturity date: 108.5%	On maturity date: 115% On extended maturity date: 124.45%	On maturity date: 104.194%
Security	Share Charge over the Charged Asset, being 80.09% of the equity interest of KS Drilling.	Unsecured	Unsecured	Unsecured
Conversion feature	Non-convertible but with 28,000,000 free Warrants	Convertible into 66.875 million Shares of the Company at an initial conversion price of S\$1.60 per Share. The conversion right may be exercised at the option of the bondholder, at any time until the date falling ten days prior to the maturity date, on or about 26 March 2015, subject to customary closed periods.	Convertible into 54.217 million Shares of the Company at an initial conversion price of S\$0.83 per Share. The conversion right may be exercised at the option of the bondholder, at any time until the date falling seven days prior to the original maturity date, on or about 21 March 2016, subject to customary closed periods.	Convertible into 26.786 million Shares of the Company at an initial conversion price of S\$0.28 per Share. The conversion right may be exercised at the option of the bondholder, at any time until the date falling seven days prior to the original maturity date, on or about 21 September 2016, subject to customary closed periods.
Exercise conversion price or conversion price/NTA (times)	0.68	1.40	1.40	0.42
Premium of Exercise Price or conversion price over the last transacted price before announcement	28.6%	42.9%	19.5%	3.7%

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For illustrative purpose only, we note the following:

- (i) The aggregate issue size for the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions of S\$28.0 million is lower than the issue size for the 2010 Convertible Bonds and the 2013 Convertible Bonds, but higher than the 2015 Convertible Bonds. However, the aggregate issue size for the Proposed Bonds Issue is higher than the 2013 Convertible Bonds and the 2015 Convertible Bonds, but lower than the 2010 Convertible Bonds.
- (ii) The tenure for the Bonds (as implied by the Maturity Date) is shorter than the tenure for the 2010 Convertible Bonds but similar to the 2013 Convertible Bonds and longer than the 2015 Convertible Bonds (without taking into account the extension). It is noted that the Lenders will have the right, but not obligation, to extend the maturity date of the Bonds held by the Lenders for an additional year.
- (iii) The interest rate for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions for the first three years is more favourable than the interest rate for the 2010 Convertible Bonds, the 2013 Convertible Bonds and the 2015 Convertible Bonds.
- (iv) The YTM for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions is between 8.1% per annum (assuming the final redemption at the Maturity Date) to 8.2% per annum (assuming the final redemption at the Extended Maturity Date), which is higher than the respective yield-to-maturity for the 2010 Convertible Bonds but lower than the yield-to-maturity for the 2013 Convertible Bonds and the 2015 Convertible Bonds.
- (v) In nominal terms, the Exercise Price for the Warrants is lower than the conversion price for the 2010 Convertible Bonds and the 2013 Convertible Bonds but higher than the 2015 Convertible Bonds.
- (vi) The Exercise Price to NTA ratio (as implied by the Group's unaudited NTA as at 30 June 2017) is lower than the conversion price to NTA ratios for the 2010 Convertible Bonds and the 2013 Convertible Bonds, but higher than the conversion price to NTA ratio for the 2015 Convertible Bonds. The less favourable pricing in terms of the Exercise Price to NTA ratio should be assessed in conjunction with the substantial losses incurred by the Group in FY2015, FY2016 and HY2017, the substantial deterioration of the shareholders' equity for the Group in the past three financial years as well as the statement on material uncertainty related to going concern found in the Independent Auditors' Report for FY2016.
- (vii) The premium represented by the Exercise Price over the last transacted price prior to the announcement is lower than the 2010 Convertible Bonds but higher than the 2013 Convertible Bonds and the 2015 Convertible Bonds.

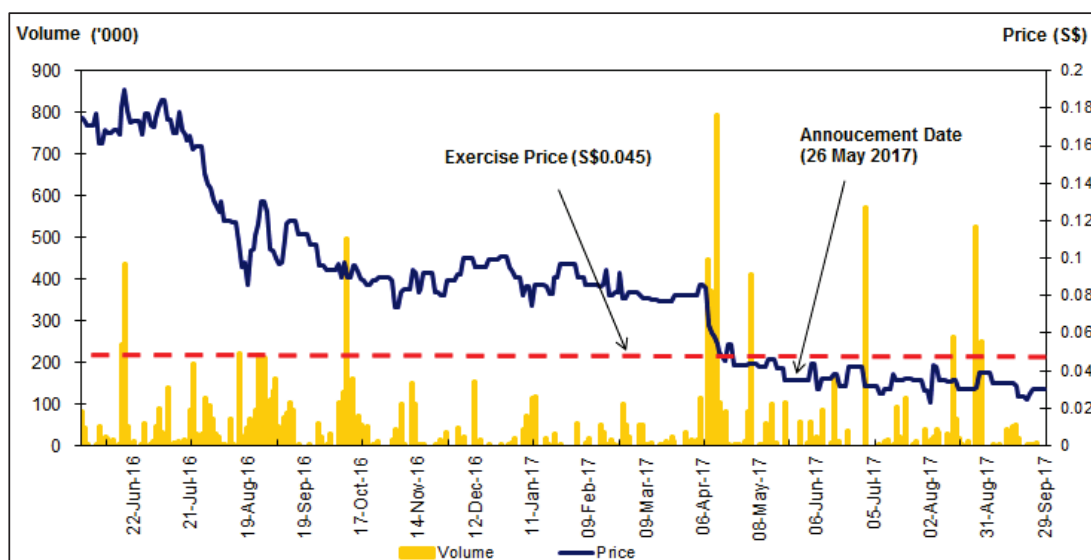
We wish to highlight that it may be difficult to place reliance on the comparison of the salient terms of the 2010 Convertible Bonds, 2013 Convertible Bonds, the 2015 Convertible Bonds and the Proposed POEL Transaction and the Proposed HW Transaction in view of the differences in the terms (secured and unsecured, convertible and non-convertible), in the economic or general market conditions or the Company's specific at the time of issuance of such bonds as well as the purpose for the issuance of such bonds may be different. Hence, the above comparison between the 2010 Convertible Bonds, 2013 Convertible Bonds, the 2015 Convertible Bonds and the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions is necessarily limited and meant for illustration purpose.

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5.4. Assessment of the Proposed Warrants Issue

(a) Market quotation and trading activity of the Shares

The historical price chart (based on the closing prices together with the number of Shares traded on a daily basis) for the Shares during the period commencing from 27 May 2016 (being the Market Day 12 months prior to the Announcement Date) and ending on the Latest Practicable Date is set out below:-



Source: SGX-ST

For the period commencing from 27 May 2016 and ending on 26 May 2017, being the Announcement Date (both dates inclusive), we note that closing prices for the Shares were higher than the Exercise Price for 231 Market Days out of a total 252 Market Days, in line with the Exercise Price for 1 Market Day out of a total 252 Market Days and were lower than the Exercise Price for 20 Market Days out of a total 252 Market Days. For the said period, the highest transacted price for the Shares was \$S0.19 on 17 June 2016 which is approximately 322% higher than the Exercise Price. We note that for the period commencing from 29 May 2017 (being the Market Day immediately after the Announcement Date) till 29 September 2017 (being the last Trading Day prior to the Latest Practicable Date), the highest closing price is \$S0.044 which is slightly lower than the Exercise Price, and the closing prices for the Shares were always lower than the Exercise Price.

As a general market comparison and observation, the FTSE Straits Times Index ("FTSE STI") increased by approximately 14.9% for the period commencing from 27 May 2016 and ending on 26 May 2017, being the Announcement Date, and subsequently increased by approximately 0.2% from 29 May 2017 to the Latest Practicable Date. For the same period commencing from 27 May 2016 and ending on 26 May 2017, being the Announcement Date, the price for the Shares declined by approximately 80.0% and subsequently further declined by approximately 14.3% from 29 May 2017 till the Latest Practicable Date. We observed that the Shares have underperformed the FTSE STI for the period commencing from 27 May 2016 and ending on 26 May 2017, being the Announcement Date, and the period after the Announcement Date till the Latest Practicable Date.

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

The volume-weighted closing price ("VWCP") of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis from the Announcement Date to the Latest Practicable Date is set out below:-

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	VWCP ⁽¹⁾ per Share (S\$)	Premium/ (Discount) of the Exercise Price over/from the VWCP per Share (%)	Lowest transacted price (S\$)	Highest transacted price (S\$)	Average daily trading volume ⁽²⁾ (Shares)	Average daily trading volume as % of free-float ⁽³⁾ (%)
For the period prior to and including the Announcement Date (26 May 2017)						
Last 12 months	0.100	(54.9)%	0.035	0.190	39,246	0.03%
Last 6 months	0.063	(29.0)%	0.035	0.101	34,039	0.02%
Last 3 months	0.057	(21.4)%	0.035	0.086	54,097	0.03%
Last 1 month	0.043	4.5%	0.035	0.046	41,395	0.03%
Last transacted price on 22 May 2017 (being the last Trading Day prior to the Announcement Date) ⁽⁴⁾	0.035	28.6%	0.035	0.041	105,000	0.07%
For the period after the Announcement Date to the Latest Practicable Date						
Till the Latest Practicable Date	0.034	31.2%	0.023	0.044	33,095	0.02%
Last transacted price on 29 September 2017 (being the last Trading Day prior to the Latest Practicable Date) ⁽⁵⁾	0.030	50.0%	0.030	0.038	6,100	0.004%

Source: SGX-ST

Notes:

- (1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volumes for the relevant trading days for each of the periods.
- (2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.
- (3) Free float refers to the approximately 156,517,605 Shares or approximately 30.36% of the issued Share capital held by Shareholders, other than the Substantial Shareholders and Directors as at the Latest Practicable Date and as enumerated in the Circular.
- (4) This represents the last transacted price instead of VWCP for the Shares on 22 May 2017, being the last Trading Day prior to the Announcement Date.
- (5) This represents the last transacted price instead of VWCP and trading volume for the Shares on 29 September 2017, being the last Trading Day prior to the Latest Practicable Date.

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

- (i) a premium of approximately 28.6% over the last transacted price of S\$0.035 per Share on the SGX-ST on 22 May 2017, being the last Trading Day prior to the Announcement Date;
- (ii) a discount of approximately 54.9%, 29.0% and 21.4% from the VWCP for the Shares for the 12-month, 6 month and 3-month prior to and including the Announcement Date respectively;
- (iii) a premium of approximately 4.5% over the VWCP for the Shares for the 1 month prior to and including the Announcement Date respectively;
- (iv) a premium of approximately 31.2% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and

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- (v) a premium of approximately 50.0% over the last transacted price of S\$0.030 per Share on the SGX-ST on 29 September 2017, being the last Trading Day prior to the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 27 May 2016 and ending on the Latest Practicable Date, we note that :-

- (i) from 27 May 2016 to the Announcement Date (both dates inclusive), Shares were traded on 160 Trading Days out of the total 252 Market Days during the period, with the total number of Shares traded being approximately 9.9 million and an average daily trading volume of approximately 39 thousand Shares, which represents 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.03% of the issued Share capital held by Shareholders other than the Substantial Shareholders and Directors as at the Latest Practicable Date;
- (ii) the trading volume for the Shares were exceptionally high (for trading volume above 250 thousand Shares) for the following dates: 17 June 2016 (approximately 0.4 million Shares) arising from the acquisition of 365,000 Shares from the market by POEL, 10 October 2016 (approximately 0.5 million Shares), 10 April 2017 (approximately 0.4 million Shares), 11 April 2017 (approximately 0.4 million Shares) and 13 April 2017 (approximately 0.8 million Shares) prior to the Announcement Date. In the event that the number of traded Shares for the above dates were excluded, the discount implied by the Exercise Price from the VWCP for the Shares for the period to and including the Announcement Date for the 12-month period would have been higher at approximately 58.3%; and
- (iii) for the period commencing after the Announcement Date till the Latest Practicable Date (both dates inclusive), Shares were traded on 44 Trading Days out of the total 87 Market Days during the period, with the total number of Shares traded being approximately 2.9 million and an average daily trading volume of approximately 33 thousand Shares, which represents 0.01% of the issued Share capital as at the Latest Practicable Date or approximately 0.02% of the issued Share capital held by Shareholders other than the Substantial Shareholders and Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded commencing from 27 May 2016 till the Latest Practicable Date is low as compared to the issued Share capital held by Shareholders other than the Substantial Shareholders and Directors. However, the trading for the Shares was relatively active in the context of that the Shares were traded on 160 Trading Days out of 252 Market Days during the period from 27 May 2016 till the Announcement Date and 44 Trading Days out of 87 Market Days during the period after the Announcement Date to the Latest Practicable Date. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing after the Announcement Date till the Latest Practicable Date is slightly lower than the number of Shares that were traded on a daily basis during period from 27 May 2016 till the Announcement Date.

The relatively weaker performance of the Shares as compared to the FTSE STI and the decrease in the number of Shares traded after the Announcement Date to the Latest Practicable Date may, *inter alia*, be a reflection of the Proposed Bonds Issue and Proposed Warrants Issue as well as prospects or demand for the Shares after the Announcement Date.

Non-Interested Directors should note that there is no assurance that the average trading volume on a daily basis will be maintained or that the transacted prices for the Shares after the completion of the Proposed Bonds Issue and Proposed Warrants Issue (or if the Proposed Bonds Issue and Proposed Warrants Issue lapses) will be at the same levels prevailing during the period commencing from the Announcement Date and ending on the Latest Practicable Date.

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(e) NAV and NTA Analysis

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

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

In assessing the Exercise Price for each Warrant, in relation to the NAV and NTA per Share of the Group as at 30 June 2017, we have reviewed the unaudited statements of financial position of the Group as at 30 June 2017 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited statements of financial position of the Group as at 30 June 2017 and in the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statements of financial position of the Group as at 30 June 2017 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 30 June 2017, save as disclosed in the unaudited statements of financial position of the Group as at 30 June 2017 as well as the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the statements of financial position of the Group as at 30 June 2017 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

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Consolidated unaudited balance sheet as at 30 June 2017 ⁽¹⁾		S\$'000
Non-current assets		
Joint ventures		37,000
Amount due from joint ventures		51,493
Plant and equipment		410,098
Intangible assets and goodwill		211
Other assets		936
Deferred tax assets		1,166
		500,904
Current assets		
Cash and cash equivalents		13,952
Amount due from joint ventures		2
Trade receivables		11,955
Contract work in progress		113
Inventories		229
Other assets		13,109
Assets held for sale		688
		40,048
Non-current liabilities		
Trade and other payables		516
Financial liabilities		338,934
Deferred tax liabilities		12
Provision for loss from joint venture		9,989
		349,451
Current liabilities		
Bank overdraft		4,193
Trade and other payables		32,118
Amount due to joint ventures		79
Provision for current tax		9,360
Financial liabilities		85,149
		130,899
NAV including non-controlling interest as at 30 June 2017		60,602
Less: Non-controlling interest		26,646
NAV attributable to owners of the Company as at 30 June 2017		33,956
Less: Intangible assets		(211)
NTA of the Group as at 30 June 2017		33,745
NAV per Share (S\$) ⁽²⁾		0.0659
NTA per Share (S\$) ⁽²⁾		0.0654
Exercise Price (S\$)		0.045
Discount of the Exercise Price from the Group's NAV per Share		(31.7)%
Discount of the Exercise Price from the Group's NTA per Share		(31.2)%

Notes:

(1) Based on the Group's unaudited financial statements for HY2017. The figures and computations therein are subjected to rounding.

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

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From the above table, we note that the Group had NAV of approximately S\$34.0 million or approximately S\$0.0659 per Share and NTA of approximately S\$33.7 million or approximately S\$0.0654 per Share as at 30 June 2017. For illustrative purposes only, the Exercise Price of S\$0.045 for each Warrant Share represents a discount of approximately 31.7% from the Group's NAV per Share as at 30 June 2017 and a discount of approximately 31.2% from the Group's NTA per Share as at 30 June 2017.

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

- (i) there are any material events that impact the unaudited statement of financial position of the Group from 30 June 2017 to the Latest Practicable Date to determine whether adjustments need to be made to the NAV and/or NTA per Share as at 30 June 2017. In this respect, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 30 June 2017, the announcements released by the Company on SGXNET and the Circular, there have been no known material events that have or will have material impact to the unaudited statement of financial position of the Group since 30 June 2017.
- (ii) there are any tangible assets which should be valued at an amount that is materially different from that which is recorded in the unaudited statement of financial position of the Group as at 30 June 2017. The Directors and the Management represented and confirmed that valuation for the rigs held by the Group (including the asset held for sale) was performed in November/December 2016 for the purpose of the audited financial statements for FY2016, and that there is no material differences between the market value and the carrying amount shown in the unaudited financial statement as at 30 June 2017 on aggregate basis. In addition, the Directors have confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, they are of the view that on aggregate basis, save as disclosed in the unaudited financial statements of the Group as at 30 June 2017, the announcements released by the Company on SGXNET and the Circular, there are no material differences between the estimated market value of the assets and their respective book values as at 30 June 2017 which would have a material impact on the NTA of the Group.

(f) Relative valuation analysis

In assessing the Exercise Price, we have considered the financial performance, financial position of selected listed companies that may, in our view, be broadly comparable to the core businesses of the Group which are in the distribution of equipment and spares ("**Distribution**") business ("**Selected Distribution Companies**") and capital equipment charter, provision of drilling and rig management services and specialized engineering and fabrication ("**Rig**") business ("**Selected Rig Companies**") (collectively the "**Selected Comparable Companies**"). We note that the Distribution and Rig businesses accounted for approximately 7.6% and 92.4% of the combined assets of the core businesses.

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

We advise Non-Interested Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of

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valuation statistics for the Selected Comparable Companies as the businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

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

Selected Comparable Companies	Market Capitalisation (\$' million)	Principal Activities
Selected Distribution Companies		
Hupsteel Limited ("Hupsteel") <i>Listed on the SGX –ST</i>	98.9	The company is principally engaged in the trading of industrial steel products and general hardware products. It is also involved in the property investment business.
Sin Ghee Huat Corporation Ltd. ("Sin Ghee Huat") <i>Listed on the SGX –ST</i>	46.6	The company is principally engaged in the trading and sales of stainless steel and specialty metal products.
KTL Global Limited ("KTL Global") <i>Listed on the SGX –ST</i>	9.1	The company is principally engaged in the sales of goods and services to customers in the oil and gas and marine industry. It is also involved in sales to customers in other industry sectors, mainly in the offshore construction and engineering industries.
Cosmo Holdings Limited ("Cosmo") <i>Listed on the SGX –ST</i>	36.3	The company is principally engaged in the sale, supply and machining of flanges, steel fittings, tubings and pipes to customers in industries such as energy, marine and trading.
Sinwa Limited ("Sinwa") <i>Listed on the SGX –ST</i>	80.2	The company is principally engaged in the marine supply, general ship agency and marine logistics and chartering businesses. It is also involved in the property holding business.

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Selected Comparable Companies	Market Capitalisation (\$' million)	Principal Activities
Selected Rig Companies		
Swissco Holdings Limited ("Swissco") <i>Listed on the SGX-ST</i>	35.1	The company is principally engaged in the drilling rig chartering, vessel chartering (including sale of out-port-limit services and related income), ship repair and maintenance services, maritime related services (including sale of vessels) and offshore support vessels related investment activities) and service assets (accommodation and service rig chartering). The company is under judicial management as at the Latest Practicable Date.
Kim Heng Offshore & Marine Holdings Limited ("Kim Heng") <i>Listed on the SGX-ST</i>	56.8	The company is principally engaged in the offshore rig services and supply chain management and the trading of vessels and newbuild.
Ezion Holdings Limited ("Ezion") <i>Listed on the SGX-ST</i>	408.5	The company is principally engaged in owning, chartering and management of rigs and vessels involved in the production and maintenance phase and exploration and development support of the oil and gas industry. It is also involved in the renewable energy and other oil and gas related industry. The company has requested for suspension on 14 August 2017 and remains suspended as at the Latest Practicable Date.

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

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

Selected Comparable Companies	LTM ROE ⁽¹⁾ (%)	LTM net profit margin ⁽²⁾ (%)	LTM asset turnover ⁽³⁾ (times)	Total liabilities ⁽⁴⁾ / shareholder equity (times)	Total borrowings ⁽⁶⁾ / shareholder equity ⁽⁵⁾ (times)
Selected Distribution Companies					
Hupsteel	0.4	1.5%	0.3	0.05	0.001
Sin Ghee Huat	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	0.4	0.04	0.01
KTL Global	n.m. ⁽⁸⁾	n.m. ⁽⁸⁾	0.6	n.m. ⁽⁹⁾	n.m. ⁽⁹⁾
Cosmo	n.m. ⁽¹⁰⁾	n.m. ⁽¹⁰⁾	0.5	0.3	0.2
Sinwa	n.m. ⁽¹¹⁾	n.m. ⁽¹¹⁾	1.3	0.6	0.1
MAXIMUM	0.4%	1.5%	1.3	0.6	0.2
MINIMUM	0.4%	1.5%	0.3	0.04	0.001
MEDIAN	0.4%	1.5%	0.5	0.2	0.03
SIMPLE AVERAGE	0.4%	1.5%	0.6	0.3	0.1
Selected Rig Companies					
Swissco	n.m. ⁽¹²⁾	n.m. ⁽¹²⁾	0.1	n.m. ⁽¹³⁾	n.m. ⁽¹³⁾
Kim Heng	n.m. ⁽¹⁴⁾	n.m. ⁽¹⁴⁾	0.2	0.5	0.3
Ezion	n.m. ⁽¹⁵⁾	n.m. ⁽¹⁵⁾	0.1	1.2	1.1
MAXIMUM	n.m. ⁽¹⁶⁾	n.m. ⁽¹⁶⁾	0.2	1.2	1.1
MINIMUM	n.m. ⁽¹⁶⁾	n.m. ⁽¹⁶⁾	0.1	0.5	0.3
MEDIAN	n.m. ⁽¹⁶⁾	n.m. ⁽¹⁶⁾	0.1	0.9	0.7
SIMPLE AVERAGE	n.m. ⁽¹⁶⁾	n.m. ⁽¹⁶⁾	0.2	0.9	0.7
The Group	n.m. ⁽¹⁷⁾	n.m. ⁽¹⁷⁾	0.1	14.1	12.6

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

Notes:

- (1) The last twelve months ("LTM") return on equity ("ROE") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.
- (2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to shareholders to the most twelve months total consolidated revenue of the respective companies.
- (3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.
- (4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities, if any.
- (5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.
- (6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.
- (7) Sin Ghee Huat incurred a loss after tax attributable to equity holders of approximately S\$0.3 million for the financial year ended 30 June 2017. Hence, Sin Ghee Huat's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (8) KTL Global incurred a loss after tax attributable to owners of approximately S\$29.6 million for the financial year ended 30 June 2017. Hence, KTL Global's LTM ROE and LTM net profit margin ratios are negative and not meaningful.
- (9) KTL Global's total liabilities to shareholder's equity and total borrowings to shareholders' equity is approximately 742.8 times and 540.9 times due to its minimal shareholder's equity arising from the losses incurred. Accordingly, KTL Global's total liabilities to shareholder's equity and total borrowings to shareholders' equity are deemed as outlier.
- (10) Cosmo incurred a loss after tax of approximately S\$13.6 million for the LTM ended 30 June 2017. Hence, Cosmo's LTM ROE and LTM net profit margin ratios are negative and not meaningful.

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- (11) *Sinwa incurred a loss after tax attributable to owners of approximately S\$9.6 million for the LTM ended 30 June 2017. Hence, Sinwa's LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (12) *Swissco incurred a loss after tax attributable to equity holders of approximately US\$315.1 million for the LTM ended 30 September 2016. It should be noted that Swissco had on 27 February 2017 announced that it had applied to the SGX-ST for an extension of time to announce its full year results for the year ended 31 December 2016. Hence, Swissco's LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (13) *Swissco recorded negative shareholders' equity attributable to equity holders of approximately US\$29.1 million as at 30 September 2016. Hence, Swissco's total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios are negative and not meaningful.*
- (14) *Kim Heng incurred a loss after tax attributable to owners of approximately S\$17.1 million for the LTM ended 30 June 2017. Hence, Kim Heng's LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (15) *Ezion incurred a loss after tax attributable to owners of approximately US\$41.9 million for the LTM ended 30 June 2017. Hence, Ezion's LTM ROE and LTM net profit margin ratios are negative and not meaningful.*
- (16) *Not meaningful as the LTM ROE and LTM net profit margin ratios are all negative.*
- (17) *The Group incurred a loss after tax attributable to owners of approximately S\$69.7 million for the LTM ended 30 June 2017. Hence, the Group's LTM ROE and LTM net profit margin ratios are negative and not meaningful.*

For illustrative purposes only, we note the following:-

- (i) The Selected Comparable Companies (save for Hupsteel) and the Group (for the LTM ended 30 June 2017) were all loss making for the period under review. Accordingly, the LTM ROE and LTM profit margin were negative and not meaningful. For illustrative purpose only, the Group's negative LTM ROE and negative LTM net profit margin of approximately 205.3% and 203.8% respectively are worse off than any of the Selected Comparable Companies (save for Swissco's LTM ROE and LTM profit margin and considering KTL Global as outlier).
- (ii) The Group's LTM asset turnover is lower than any of the Selected Distribution Companies but in line with the Selected Rig Companies (save for Kim Heng which had higher asset turnover ratio of approximately 0.2 times).
- (iii) The Group's total liabilities to shareholders' equity ratio as at 30 June 2017 is higher and less favourable than any of the Selected Comparable Companies (save for KTL Global which is deemed as an outlier and Swissco which had negative equity).
- (iv) The Group's total borrowings to shareholders equity ratio as at 30 June 2017 is higher and less favourable than any of the Selected Comparable Companies (save for KTL Global which is deemed as an outlier and Swissco which had negative equity).

In summary, the historical financial performance of the Group as reflected by its LTM ROE and LTM net profit margin are negative and not meaningful. The Group's LTM asset turnover appears to be lower than the Selected Distribution Companies but in line with the Selected Rig Companies (save for Kim Heng). In addition, the Group's financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity) appears to be higher and less favourable than any of the Selected Comparable Companies (save for KTL Global which is deemed as an outlier and Swissco which had negative equity).

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Exercise Price. We note that the last transacted price for the Shares as at the Latest Practicable Date is lower than the Exercise Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

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

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Selected Comparable Companies	Mkt capitalisation (\$ m)	LTM EV/ EBITDA ⁽¹⁾ (times)	LTM PER ⁽²⁾ (times)	Price/ NAV ⁽³⁾ (times)	Price/ NTA ⁽³⁾ (times)	Premium/ (Discount) over/from NTA (times)
Selected Distribution Companies						
Hupsteel	98.9	26.6	137.3	0.6	0.6	(40.2)%
Sin Ghee Huat	46.6	129.3	n.m. ⁽⁴⁾	0.6	0.6	(44.8)%
KTL Global	9.1	n.m. ⁽⁵⁾	n.m. ⁽⁵⁾	n.m. ⁽⁶⁾	n.m. ⁽⁶⁾	n.m. ⁽⁶⁾
Cosmo	36.3	n.m. ⁽⁷⁾	n.m. ⁽⁷⁾	0.3	0.3	(65.6)%
Sinwa	80.2	n.m. ⁽⁸⁾	n.m. ⁽⁸⁾	1.1	1.1	7.6%
MAXIMUM	98.9	129.3	137.3	1.1	1.0	(7.6)%
MINIMUM	9.1	26.6	137.3	0.3	0.3	(65.6)%
MEDIAN	46.6	77.9	137.3	0.6	0.6	(42.5)%
SIMPLE AVERAGE	54.2	77.9	137.3	0.6	0.6	(35.7)%
Selected Rig Companies						
Swissco	35.1	n.m. ⁽⁹⁾	n.m. ⁽⁹⁾	n.m. ⁽⁹⁾	n.m. ⁽⁹⁾	n.m. ⁽⁹⁾
Kim Heng	56.8	n.m. ⁽¹⁰⁾	n.m. ⁽¹⁰⁾	0.6	0.6	(35.7)%
Ezion	408.5	15.2	n.m. ⁽¹¹⁾	0.2	0.2	(76.9)%
MAXIMUM	408.5	15.2	n.m.⁽¹²⁾	0.6	0.6	(35.7)%
MINIMUM	35.1	15.2	n.m.⁽¹²⁾	0.2	0.2	(76.9)%
MEDIAN	56.8	15.2	n.m.⁽¹²⁾	0.4	0.4	(56.3)%
SIMPLE AVERAGE	166.8	15.2	n.m.⁽¹²⁾	0.4	0.4	(56.3)%
Group (implied by the Exercise Price)	23.2	n.m.⁽¹³⁾	n.m.⁽¹³⁾	0.7	0.7	(31.2)%

Notes:

- (1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies. The LTM EBITDA for Hupsteel, Sin Ghee Huat, KTL Global, Cosmo, Sinwa, Kim Heng and Ezion are based on the most recent twelve months period ended 30 June 2017. The LTM EBITDA for Swissco is based on the most recent twelve months period ended 30 September 2016.
- (2) The LTM PER for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies. The earnings after tax for Hupsteel, Sin Ghee Huat, KTL Global, Cosmo, Sinwa, Kim Heng and Ezion are based on the most recent twelve months period ended 30 June 2017. The earnings after tax for Swissco is based on the most recent twelve months period ended 30 September 2016.
- (3) The P/NAV and P/NTA ratios for the Selected Comparable Companies are based on their respective NAV and NTA values as set out in their latest available announced audited or unaudited financial statements. The NAV and NTA for Hupsteel, Sin Ghee Huat, KTL Global and Cosmo, Sinwa, Kim Heng and Ezion are based on the most recent twelve months period ended 30 June 2017. The NAV and NTA for Swissco is based on the most recent twelve months period ended 30 September 2016.
- (4) Sin Ghee Huat incurred a loss after tax attributable to equity holders of approximately S\$0.3 million for the financial year ended 30 June 2017. Hence, Sin Ghee Huat's LTM PER ratio is negative and not meaningful.
- (5) KTL Global incurred a loss after tax attributable to owners of approximately S\$29.6 million and negative EBITDA of approximately S\$24.4 million for the financial year ended 30 June 2017. Hence, KTL Global's LTM EV/EBITDA and LTM PER ratios are negative and not meaningful.
- (6) KTL Global's P/NAV and P/NTA ratios are approximately 130.6 times in view of the minimal shareholder's equity of approximately S\$70 thousand. Accordingly, KTL Global's total P/NAV and P/NTA are deemed as outlier.
- (7) Cosmo incurred a loss after tax of approximately S\$13.6 million and negative EBITDA of approximately S\$8.5 million for LTM ended 30 June 2017. Hence, Cosmo's LTM EV/EBITDA and LTM PER ratios are negative and not meaningful.
- (8) Sinwa incurred a loss after tax attributable to owners of approximately S\$9.6 million and negative EBITDA of approximately S\$6.2 million for the LTM ended 30 June 2017. Hence, Sinwa's EV/EBITDA and PER ratios are negative and not meaningful.
- (9) Swissco incurred a loss after tax attributable to equity holders of approximately US\$315.1 million, negative EBITDA of approximately US\$282.0 million, negative NAV of approximately US\$29.1 million and negative NTA of approximately US\$29.2 million for the LTM ended 30 September 2016. It should be noted that Swissco had on 27 February 2017

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announced that it had applied to the SGX-ST for an extension of time to announce its full year results for the year ended 31 December 2016. Hence, Swissco's LTM EV/EBITDA, LTM PER, LTM P/NAV and LTM P/NTA are negative and not meaningful.

- (10) *Kim Heng incurred a loss after tax attributable to owners of approximately S\$17.1 million and negative EBITDA of approximately S\$10.2 million for the LTM ended 30 June 2017. Hence, Kim Heng's EV/EBITDA and PER ratios are negative and not meaningful.*
- (11) *Ezion incurred a loss after tax attributable to owners of approximately US\$41.9 million for the LTM ended 30 June 2017. Hence, Ezion's LTM PER ratio is negative and not meaningful.*
- (12) *Not meaningful as the LTM EV/EBITDA ratio is negative for all the Selected Rig Companies.*
- (13) *The Group incurred a loss after tax attributable to owners of approximately S\$69.7 million and negative EBITDA of approximately S\$42.9 million for the LTM ended 30 June 2017. Hence, the Group's EV/EBITDA and PER ratios are negative and not meaningful.*

For illustrative purposes only, we note the following:-

- (i) The market capitalisation of the Group (as implied by the Exercise Price) is within the range but lower than both the median and simple average for the Selected Distribution Companies and lower than any of the Selected Rig Companies. We note that the trading statistics for companies with higher capitalisation may be different than those with lower market capitalisation and this may be attributable to relative liquidity in terms of number or value of shares traded as well as relative interest in shares of companies with larger market capitalisations.
- (ii) The valuation of the Group in terms of LTM EV/EBITDA is negative and not meaningful in view of the Group's LTM loss after tax attributable to owners of approximately S\$69.7 million and negative LTM EBITDA of approximately S\$42.9 million. We also note that the valuation of the Selected Distributions Companies in terms of LTM EV/EBITDA is also negative and not meaningful, save for Hupsteel and Sing Ghee Huat which had a positive LTM EV/EBITDA of 26.6 times and 129.3 times respectively. Likewise, the valuation of the Selected Rig Companies in terms of LTM EV/EBITDA is also negative and not meaningful, save for Ezion which had a positive LTM EV/EBITDA of 15.2 times.
- (iii) The valuation of the Group in terms of LTM PER is negative and not meaningful in view of the Group's LTM loss after tax attributable to owners of approximately S\$69.7 million. We also note that the valuation of the Selected Comparable Companies in terms of LTM PER is also negative and not meaningful, save for Hupsteel which had a LTM PER of 137.3 times.
- (iv) The valuation of the Group in terms of P/NAV and P/NTA (as implied by the Exercise Price and based on the Group's NAV per Share and NTA per Share as at 30 June 2017) are within the range, slightly higher than the median and the simple average of the Selected Distribution Companies and is higher than any of the Selected Rig Companies.

In summary, the valuation of the Group as implied by the Exercise Price in terms of LTM EV/EBITDA and LTM PER are negative and not meaningful which are comparable to most of the Selected Comparable Companies (save for Hupsteel, Sin Ghee Huat and Ezion). The valuation of the Group as implied by the Exercise Price in terms of P/NAV and P/NTA ratios is more favourable than any of the Selected Rig Companies and the simple average and the median for the Selected Distribution Companies.

The following tabulates the comparative P/NTA of the Group and those P/NTA for the two groups of comparable companies which are "weighted" in proportion to their respective asset contribution of the Distribution and Rig businesses (excluding KTL Global which is deemed as an outlier and Swissco which had negative equity):

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	Weighted P/NTA of the Selected Comparable Companies (times)
MAXIMUM	0.7
MINIMUM	0.2
MEDIAN	0.4
SIMPLE AVERAGE	0.5
The Group (implied by the Exercise Price)	0.7

The valuation of the Group as implied by the Exercise Price in terms of P/NTA is within the range and in line with the maximum of the weighted P/NTA for the Selected Distribution Companies and Selected Rig Companies.

In summary, the valuation of the Group in terms of P/NTA as implied by the Exercise Price appears to be in general more favourable than the Selected Distribution Companies and Selected Rig Companies, which should be viewed in conjunction with the rationale of the Proposed Transactions (including the Proposed POEL Transactions and the Proposed HW Transactions) as well as the fact that the Group's financial position appears to be weaker than the Selected Distribution Companies and Selected Rig Companies (save for KTL Global which is deemed as an outlier and Swissco which had a negative equity).

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

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

6. OTHER RELEVANT CONSIDERATIONS

(a) Dilution Impact

It is important to note that pursuant to the exercise of all Warrants and issuance and allotment of 65,500,000 new Shares, subject to and in accordance with the terms and conditions of the Warrants (the "**Warrant Shares**"), the shareholdings of the existing Independent Shareholders will be diluted. In evaluating the dilution impact of the issuance and allotment of the Warrant Shares on the existing Independent Shareholders, we have considered the following:-

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	As at the Latest Practicable Date				Immediately after exercise of the Warrants and issuance, allotment of the Warrant Shares			
	Direct Interest	Deemed Interest	Total Interest		Direct Interest	Deemed Interest	Total Interest	
	Number of Shares	Number of Shares	Number of Shares	% ⁽¹⁾	Number of Shares	Number of Shares	Number of Shares	% ⁽²⁾
Directors								
Kris Taenar Wiluan ⁽⁴⁾	-	308,281,662	308,281,662	59.79%	-	326,781,662	326,781,662	56.23%
Richard James Wiluan ⁽⁴⁾	-	308,281,662	308,281,662	59.79%	-	326,781,662	326,781,662	56.23%
Soh Gim Teik	-	-	-	0.00%	-	-	-	0.00%
Lawrence Stephen Basapa	50,000	-	50,000	0.01%	50,000	-	50,000	0.01%
Chew Choon Soo	-	-	-	0.00%	-	-	-	0.00%
Substantial Shareholders (other than the Directors)								
POEL ⁽³⁾	308,281,662	-	308,281,662	59.79%	326,781,662	-	326,781,662	56.23%
Dubai Transport Company LLC ⁽⁴⁾	50,751,948	-	50,751,948	9.84%	50,751,948	-	50,751,948	8.73%
Rija Holdings Limited ⁽³⁾	-	308,281,662	308,281,662	59.79%	-	326,781,662	326,781,662	56.23%
Abdulla Mohammed Saleh ⁽⁴⁾	-	50,751,948	50,751,948	9.84%	-	50,751,948	50,751,948	8.73%
Ahmad Abdulrahim Baker ⁽⁴⁾	-	50,751,948	50,751,948	9.84%	-	50,751,948	50,751,948	8.73%
AMSAF Investment LLC ⁽⁴⁾	-	50,751,948	50,751,948	9.84%	-	50,751,948	50,751,948	8.73%
Subscribers (excluding POEL)								
OCBC	-	-	-	0.00%	30,000,000	-	30,000,000	5.16%
TAEL	-	-	-	0.00%	7,500,000	-	7,500,000	1.29%
HW ⁽⁵⁾	-	20,580,000	20,580,000	3.99%	9,500,000	20,580,000	30,080,000	5.18%
Existing Public Shareholders			156,517,605	30.36%			156,517,605	26.93%
Existing Independent Shareholders			186,739,553	36.22%			186,739,553	32.14%
Total			515,601,215	100%			581,101,215	100%

Notes:

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

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- (2) *Based on 581,101,215 Shares, excluding 8,639,000 treasury Shares as at the Latest Practicable Date and assuming the exercise of 65,500,000 Warrants and the issuance and allotment of the 65,500,000 Warrant Shares.*
- (3) *Rija Holdings Limited (“Rija”), which is the holding company of POEL, is controlled by Mr Kris Taenar Wiluan and Mr Richard James Wiluan. By virtue of Section 4 of the Securities and Futures Act, Rija, Mr Kris Taenar Wiluan and Mr Richard James Wiluan are deemed interested in the 308,281,662 shares of the Company held by POEL.*
- (4) *Dubai Transport Company LLC (“DTC”) is controlled by Mr Abdulla Mohammed Saleh, AMSAF Investment LLC (“AMSAF”) and Mr Ahmad Abdulrahim Baker. By virtue of Section 4 of the Securities and Futures Act, Mr Abdulla Mohammed Saleh, AMSAF and Mr Ahmad Abdulrahim Baker are deemed interested in the 50,751,948 shares of the Company held by DTC.*
- (5) *HW is deemed interested in the 20,580,000 Shares held by Adventi International by virtue of Section 7 of the Companies Act.*

Based on the above illustration, we note that following the issuance of 65,500,000 Warrant Shares pursuant to the exercise of all Warrants, the number of Shares in issue will increase from 515,601,215 Shares to 581,101,215 Shares. POEL’s shareholdings will be diluted from approximately 59.79% to approximately 56.23% whilst OCBC and TAEL shareholdings will increase from nil to approximately 5.16% and 1.29% respectively. HW shareholdings will increase from 3.99% to approximately 5.18%. In addition, we note that the shareholdings of the existing Independent Shareholders will be diluted slightly from approximately 36.22% to approximately 32.14%. As such, the existing Independent Shareholders’ ability to influence the outcome of any resolutions tabled in a general meeting will be affected slightly after issuance and allotment of the Warrant Shares.

(b) Financial effects

The proforma financial effects of the Proposed Bonds Issue and the Proposed Warrants Issue as well as the Proposed POEL Transactions and the Proposed HW Transactions and the underlying assumptions are set out in Section 7.1, 7.2 and 7.3 of the Circular respectively. We recommend that the Non-Interested Directors advise the Independent Shareholders to read those pages of the Circular carefully. The financial effects of the Proposed POEL Transactions and the Proposed HW Transactions have been extracted from Section 7.1, 7.2 and 7.3 of the Circular respectively and is set out in italics below:

“7.1 Financial Effects of the Proposed Bonds Issue and the Proposed Warrants Issue

(a) Bases and Assumption

The pro forma financial effects of the Proposed Bonds Issue and the Proposed Warrants Issue are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Bonds Issue and the Proposed Warrants Issue. These illustrative pro forma financial effects have been computed based on the Group’s latest audited consolidated financial results for FY2016 and do not take into account any transaction expenses incurred in connection with the Proposed Transactions.

(b) Share Capital

	Number of Shares (excluding treasury shares)
<i>Before the Proposed Bonds Issue and the Proposed Warrants Issue⁽¹⁾</i>	515,601,215
<i>After completion of the Proposed Bonds Issue and the Proposed Warrants Issue⁽¹⁾</i>	515,601,215
<i>After completion of the Proposed Bonds Issue, the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders⁽²⁾</i>	581,101,215

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Notes:

- (1) Based on 515,601,215 Shares (excluding 8,639,000 treasury shares) in issue as at the Latest Practicable Date.
- (2) Based on 581,101,215 Shares in issue, assuming that 65.5 million Warrants were exercised by the Lenders and 65.5 million Warrant Shares were issued and allotted to the Lenders.

(c) Earnings per Share

Assuming that the Proposed Bonds Issue and the Proposed Warrants Issue had been completed on 1 January 2016, the effect of the Proposed Bonds Issue and the Proposed Warrants Issue on the Group's EPS for FY2016 will be as follows:

	EPS (cents)
Before the Proposed Bonds Issue and the Proposed Warrants Issue ⁽¹⁾	(20.85)
After completion of the Proposed Bonds Issue and the Proposed Warrants Issue ⁽¹⁾	(17.67)
After completion of the Proposed Bonds Issue, the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders ⁽²⁾	(15.67)

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.3 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$15.8 million.
- (2) Based on 581,101,215 Shares in issue, assuming that 65.5 million Warrants were exercised by the Lenders and 65.5 million Warrant Shares were issued and allotted to the Lenders.

(d) Net Tangible Assets

Assuming that the Proposed Bonds Issue and the Proposed Warrants Issue had been completed on 31 December 2016, the effect of the Proposed Bonds Issue and the Proposed Warrants Issue on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed Bonds Issue and the Proposed Warrants Issue</u>	
Adjusted NTA (S\$000'000)	102.9
Adjusted NTA per Share (cents) ⁽¹⁾	20.0
<u>After completion of the Proposed Bonds Issue, the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders</u>	
Adjusted NTA (S\$000'000)	105.9
Adjusted NTA per Share (cents) ⁽²⁾	18.2

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Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.3 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$15.8 million.
- (2) Based on 581,101,215 Shares in issue, assuming that 65.5 million Warrants were exercised by the Lenders and 65.5 million Warrant Shares were issued and allotted to the Lenders.

7.2 Financial Effects of the Proposed POEL Transactions

(a) Bases and Assumption

The pro forma financial effects of the Proposed POEL Transactions are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed POEL Transactions. These illustrative pro forma financial effects have been computed based on the Group's latest audited consolidated financial results for FY2016 and on the assumption that the debts due from the Existing Convertible Bonds and Existing Loans held by POEL will be satisfied by the proceeds from the Proposed POEL Transactions. The illustrative financial effects do not take into account any transaction expenses incurred in connection with the Proposed POEL Transactions.

(b) Share Capital

	Number of Shares (excluding treasury shares)
Before the Proposed POEL Transactions ⁽¹⁾	515,601,215
After completion of the Proposed POEL Transactions ⁽¹⁾	515,601,215
After completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL ⁽²⁾	534,101,215

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.
- (2) Based on 534,101,215 Shares in issue, assuming that 18.5 million Warrants were exercised by POEL and 18.5 million Warrant Shares were issued and allotted to POEL.

(c) Earnings per Share

	EPS (cents)
Before the Proposed POEL Transactions ⁽¹⁾	(20.85)
After completion of the Proposed POEL Transactions ⁽¹⁾	(20.68)
After completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL ⁽²⁾	(19.96)

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.1 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$1.8 million.

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- (2) Based on 534,101,215 Shares in issue, assuming that 18.5 million Warrants were exercised by POEL and 18.5 million Warrant Shares were issued and allotted to POEL.

(d) Net Tangible Assets

Assuming that the Proposed POEL Transactions had been completed on 31 December 2016, the effect of the Proposed POEL Transactions on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed POEL Transactions</u>	
Adjusted NTA (S\$000'000)	88.6
Adjusted NTA per Share (cents) ⁽¹⁾	17.2
<u>After completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL</u>	
Adjusted NTA (S\$000'000)	89.4
Adjusted NTA per Share (cents) ⁽²⁾	16.7

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.1 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$1.8 million.
- (2) Based on 534,101,215 Shares in issue, assuming that 18.5 million Warrants were exercised by POEL and 18.5 million Warrant Shares were issued and allotted to POEL.

7.3 Financial Effects of the Proposed HW Transactions

(a) Bases and Assumption

The pro forma financial effects of the Proposed HW Transactions are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed HW Transactions. These illustrative pro forma financial effects have been computed based on the Group's latest audited consolidated financial results for FY2016 on the assumption that the debts due from the Existing Convertible Bonds held by HW will be satisfied by the proceeds from the Proposed HW Transactions. The illustrative financial effects do not take into account any transaction expenses incurred in connection with the Proposed HW Transactions.

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(b) Share Capital

	Number of Shares (excluding treasury shares)
<i>Before the Proposed HW Transactions⁽¹⁾</i>	515,601,215
<i>After completion of the Proposed HW Transactions⁽¹⁾</i>	515,601,215
<i>After completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW⁽²⁾</i>	525,101,215

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date.
- (2) Based on 525,101,215 Shares in issue, assuming that 9,500,000 Warrants were exercised by HW and 9.5 million Warrant Shares were issued and allotted to HW.

(c) Earnings per Share

Assuming that the Proposed HW Transactions had been completed on 1 January 2016, the effect of the Proposed HW Transactions on the Group's EPS for FY2016 will be as follows:

	EPS (cents)
<i>Before the Proposed HW Transactions⁽¹⁾</i>	(20.85)
<i>After completion of the Proposed HW Transactions⁽¹⁾</i>	(20.20)
<i>After completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW⁽²⁾</i>	(19.83)

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.05 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$3.0 million
- (2) Based on 525,101,215 Shares in issue, assuming that 9.5 million Warrants were exercised by HW and 9.5 million Warrant Shares were issued and allotted to HW.

(d) Net Tangible Assets

Assuming that the Proposed HW Transactions had been completed on 31 December 2016, the effect of the Proposed HW Transactions on the Group's NTA per Share as at 31 December 2016 will be as follows:

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	Group (as at 31 December 2016)
<u>As reported</u>	
NTA (S\$000'000)	86.7
NTA per Share (cents) ⁽¹⁾	16.8
<u>After completion of the Proposed HW Transactions</u>	
Adjusted NTA (S\$000'000)	89.8
Adjusted NTA per Share (cents) ⁽¹⁾	17.4
<u>After completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW</u>	
Adjusted NTA (S\$000'000)	90.3
Adjusted NTA per Share (cents) ⁽²⁾	17.2

Notes:

- (1) Based on 515,601,215 Shares in issue as at the Latest Practicable Date and assuming the capital reserve arising from the issue of the Warrants is S\$0.05 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$3.0 million.
- (2) Based on 525,101,215 Shares in issue, assuming that 9.5 million Warrants were exercised by HW and 9.5 million Warrant Shares were issued and allotted to HW.

For illustrative purposes only, we note from the table above that the loss per Share attributable to Shareholders ("LPS") of the Group would reduce from 20.85 S\$ cent before the Proposed POEL Transactions to 20.68 S\$ cent after completion of the Proposed POEL Transactions (assuming the capital reserve arising from the issue of the Warrants is S\$0.1 million and the waiver of the accrued interest and redemption premium due on the Existing Convertible Bonds will generate a realised gain of S\$1.8 million). It would thereafter reduced further to 19.96 S\$ cent after completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL. The Group's NTA would increase from 16.8 S\$ cent before the Proposed POEL Transactions to 17.2 S\$ cent after completion of the Proposed POEL Transactions. It would thereafter decline to 16.7 S\$ cent after completion of the Proposed POEL Transactions and assuming full exercise of the Warrants by POEL.

For illustrative purposes only, we note from the table above that the LPS of the Group would reduce from 20.85 S\$ cent before the Proposed HW Transactions to 20.20 S\$ cent after completion of the Proposed HW Transactions. It would thereafter reduce to 19.83 S\$ cent after completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW. The Group's NTA would increase from 16.8 S\$ cent before the Proposed HW Transactions to 17.4 S\$ cent after completion of the Proposed HW Transactions. It would thereafter decline to 17.2 S\$ cent and after completion of the Proposed HW Transactions and assuming full exercise of the Warrants by HW.

We note that the LPS of the Group would reduce from 20.85 S\$ cent before the Proposed Bonds Issue and the Proposed Warrants Issue to 17.67 S\$ cent after completion of the Proposed Bonds Issue and the Proposed Warrants Issue. It would thereafter reduce to 15.67 S\$ cent after completion of the Proposed Bonds Issue and the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders. The Group's NTA would increase from 16.8 S\$ cent before the Proposed Bonds Issue and the Proposed Warrants Issue to 20.0 S\$ cent after completion of the Proposed Bonds Issue and the Proposed Warrants Issue. It would thereafter decline to 18.2 S\$ cent and after completion of the Proposed Bonds Issue and the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders.

(c) Alternative source of funding

The Directors and the Management had represented to us that the following attempts have been made to refinance the Existing Bonds and/or the Existing Loans:-

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- (i) The establishment a S\$300 million Multicurrency Medium Term Note Programme (“**MTN Programme**”) which was announced on 10 October 2014. The Directors and the Management have represented to us that the MTN Programme was not launched due to poor market conditions, including *inter alia* the low oil prices.
- (ii) As disclosed in the Group’s annual report for FY2015, the Group planned to divest certain non-core assets to raise net proceeds of approximately S\$59.2 million. But it did not proceed in view of the poor market conditions.

The Directors noted that the Company’s existing financial performance and position (in particular, the substantial losses incurred in FY2015, FY2016 and HY2017) and the net current liabilities position of approximately S\$90.9 million as at 30 June 2017) makes it difficult to seek any meaningful amount of external borrowing from financial institutions or funds from rights issue or placement without a significant discount to the Share price.

The Directors have represented to us that the Company had considered placements but this could be dilutive to current Shareholders as such issuance will be at a discount from the Share price. In addition, we note from the discussions with the Directors that they decided to rule out rights issue as an alternative funding due to uncertainty in the amount of funds that can be raised from rights issue exercise as well as due to the fact that there is uncertainties in the timing and amount that the funds will eventually be utilised for the said purpose.

Whereas the Proposed Bonds Issue provides the Company with a ready refinancing for both the Existing Convertible Bonds and the Existing Loans.

As highlighted in Section 6.1 of the Circular, as the oil and gas industry is inherently volatile, the drilling industry operates in a challenging environment as prolonged period of low oil prices resulted in a decline in rig contracting activities. The Proposed Bonds Issue (including the Proposed POEL Transactions and Proposed HW Transactions) is undertaken to refinance the Existing Convertible Bonds. In addition, the refinancing of the Existing Convertible Bonds through the issue of the new Bonds would prevent dilution to its Shareholders. In the longer term, the Directors believe that the structure and terms of the Proposed Bonds Issue, coupled with the Proposed Warrants Issue, provide a more favourable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings.

The Directors are also of the view that raising long term funds through the Proposed Warrants Issue would enable the Company to diversify its sources through a mix of equity and debt securities. The Directors believe that the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity. Given the challenging industry outlook and overall liquidity issues in the financial markets, the exercise of the Warrants by POEL and HW will also seek to boost stakeholders’ confidence in the Company.

(d) Alternative offers

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any alternative offers for funding from other parties, which is comparable in nature, size and scope to the Proposed Transactions to refinance the Existing Convertible Bonds through the issue of new Bonds and to incentivise the Lenders for the Proposed Bonds Issue (including the Proposed POEL Transactions and the Proposed HW Transactions) respectively.

7. OPINION

In arriving at our recommendation, we have reviewed and examined the following factors summarized below as well as others elaborated elsewhere in our Letter which we have considered to be pertinent in our assessment of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions, including the views of and representations by the Directors. Our recommendation or opinion is by no means an indication of the merits, prospects, financial performance and position of the Company or the ability of the Group to service its borrowings (both principal and interest payment) when it falls due or to pay the interest payment in connection with the Proposed Bonds Issue, including, *inter alia*, the Proposed POEL Transactions and the

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Proposed HW Transactions as Interested Person Transactions when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the Proposed Transactions. Our views, recommendation and opinion are necessarily limited and subject to the matters stated in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter.

- (a) The rationale and benefits of the Proposed Transactions wherein we note from Section 6 of the Circular that the Proposed Bonds Issue is undertaken to refinance the Existing Convertible Bonds and the Existing Loans. The Directors believe that: (i) in the longer term, the structure and terms of the Proposed Bonds Issue, coupled with the Proposed Warrants Issue, provide a more favourable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings; (ii) raising long term funds through the Proposed Warrants Issue would enable the Company to diversify its sources through a mix of equity and debt securities; and (iii) the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity.
- (b) The Directors' representation and confirmation that save for the proceeds generated from the exercise of the Warrants, the Proposed Bonds Issue does not involve any new cash injection into the Group in view of the Proposed Bonds Repurchase as well as the conversion of the Existing Loans into the Bonds to be issued to POEL.
- (c) The Directors have confirmed that the terms and conditions of the Proposed POEL Transactions and the Proposed HW Transactions (including the Security Arrangement) are: (a) not more favourable than the terms and conditions stipulated in the Bond Purchase Agreements entered into with non-interested persons, being OCBC and TAEI, and (b) in line with the terms and conditions stipulated in the Bond Purchase Agreements entered into with non-interested persons, being TAEI and OCBC (save for the Back-End Payment for OCBC).
- (d) In relation to the Security Arrangement, the Directors have confirmed that:
 - As the Security Arrangement provides for the proportionate sharing of security based on the amount outstanding for the Bonds, it is on a *pari passu* basis and the Security Arrangement available to the Interested Persons are the same as those accorded to the non-interested persons, being OCBC and TAEI. Thus, the Interested Persons, being POEL and HW, are acting solely as a lender under the Proposed Bonds Issue and are not preferred as compared to the non-interested persons.
 - Under the Proposed Bonds Issue, all bondholders, regardless whether they are considered as "interested person" under Chapter 9 of the Listing Manual, are entitled to vote at the bondholders' meeting.
 - Bondholders holding not less than 45% in principal amount of the Bonds then outstanding may call for an event of default upon occurrence of certain events prescribed under the terms and conditions for the Proposed Bonds Issue. The Interested Persons, being POEL and HW, hold in aggregate 42.7% of the principal amount of the Bonds and as such, the Interested Persons alone cannot call for an event of default.
- (e) The historical financial performance and position of the Group. The Group reported losses after tax attributable to the owners of the Company of approximately S\$229.6 million, S\$107.5 million for FY2015 and FY2016 respectively with substantial decline in the Group's revenue (from approximately S\$227.3 million in FY2014 to approximately S\$92.0 million in FY2015 and approximately S\$35.1 million in FY2016) as well as gross loss of approximately S\$39.7 million and S\$29.2 million in FY2015 and FY2016 respectively. In addition, the Group recorded revenue, gross loss and loss after tax attributable to the owners of the Company of approximately S\$20.8 million, S\$9.7 million and S\$17.4 million respectively for HY2017. The Group's financial position was weak with erosion in the shareholders' equity attributable to the owner of the Company (declined from approximately S\$370.7 million as at the end of FY2014 to approximately S\$34.0 million as at the end of HY2017) and negative net working capital of approximately S\$90.9 million as at the end of HY2017. The Group's weak financial position was

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also reflected in (i) non-settlement and extension of the maturity of the 2013 Convertible Bonds (with initial maturity date of 21 March 2016) and the 2015 Convertible Bonds (with initial maturity date of 21 September 2016); and (ii) high gearing ratio and total liabilities to shareholders' equity ratio of approximately 12.6 times and 14.1 times respectively as at 30 June 2017.

- (f) Statement of material uncertainty related to going concern in the Independent Auditors' Report for FY2016. We further note from the results announcement for HY2017 dated 14 August 2017 that the going concern of the Group is premised on, *inter alia*, continuing availability of credit facilities to the Group for at least another twelve months from end of HY2017, and the sufficiency of cash flows to be generated from (i) the Group's operating activities; (ii) asset divestment plans and (iii) other financing plan being the Proposed Bonds Repurchase and the Proposed Bonds Issue. The Proposed Bonds Issue, if approved by the Shareholders, may not address the Group's going concern issue in its entirety as the ability of the Group to fulfil its ongoing obligation going forward will also depend on, *inter alia*, market condition, revenue as well as expenses. In addition, it should be noted that in the event that the Proposed Bonds Issue is not approved by the Shareholders, there is no certainty that the Lenders will further extend the maturity date for the Existing Bonds or call for an event of default for the Existing Bonds.
- (g) The assessment on the interest rate and yield-to-maturity (as set out in Section 5.3 of this Letter) after taking into account, *inter alia*, the following factors:-
- (i) The YTM for the Bonds before adjusting with the theoretical value for the Warrants is between 8.1% (based on the Maturity Date) and 8.2% (based on the Extended Maturity Date). Meanwhile, the Adjusted YTM for the Bonds (after taking into consideration the theoretical value for the Warrants) is approximately 8.6% per annum (based on the Maturity Date and the Extended Maturity Date) as at the Announcement Date.
 - (ii) The interest rate for the Bonds is lower than the Singapore Prime Lending Rate, whilst the YTM and the Adjusted YTM are higher than the Singapore Prime Lending Rate.
 - (iii) The interest rate for the Bonds for the first two years of 1.15% per annum and 2.0% per annum respectively are lower than the Group's WACC, whilst the interest rate for the Bonds for the third year and the fourth year (in the event that Lenders exercises their right to extend the Maturity Date) of 3.0% per annum and 4.0% per annum respectively are higher than the Group's WACC. Whilst the YTM and the Adjusted YTM for the Bonds (based on both the Maturity Date and the Extended Maturity Date) are higher than the Group's WACC, they are lower than the cost of equity for the Group of approximately 10.2%.
 - (iv) The interest rate for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions is fairly comparable or more favourable than the interest rates for the Group's existing bank loan (comprising the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2). However, the YTM or the Adjusted YTM for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions is higher and less favourable than the interest rates for the Group's existing bank loan (comprising the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2).
 - (v) Fair or favourable comparison of the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions with the previous bonds issuance by the Group, in particular the 2013 Convertible Bonds and the 2015 Convertible Bonds which are the subject of refinancing by the Bonds:-
 - The tenure for the Bonds (as implied by the Maturity Date) is shorter than the tenure for the 2010 Convertible Bonds but similar to the 2013 Convertible Bonds and longer than the 2015 Convertible Bonds (without taking into account the extension).

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- The interest rate for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions for the first three years is more favourable than the interest rate for the 2010 Convertible Bonds, the 2013 Convertible Bonds and the 2015 Convertible Bonds.
 - The YTM for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions is between 8.1% per annum (assuming the final redemption at the Maturity Date) to 8.2% per annum (assuming the final redemption at the Extended Maturity Date), which is higher than the respective yield-to-maturity for the 2010 Convertible Bonds but lower than the yield-to-maturity for the 2013 Convertible Bonds and the 2015 Convertible Bonds.
 - In nominal terms, the Exercise Price for the Warrants is lower than the conversion price for the 2010 Convertible Bonds and the 2013 Convertible Bonds but higher than the 2015 Convertible Bonds.
 - The Exercise Price to NTA ratio (as implied by the Group's unaudited NTA as at 30 June 2017) is lower than the conversion price to NTA ratios for the 2010 Convertible Bonds and the 2013 Convertible Bonds, but higher than the conversion price to NTA ratio for the 2015 Convertible Bonds. The less favourable pricing in terms of the Exercise Price to NTA ratio should be assessed in conjunction with the substantial losses incurred by the Group in FY2015, FY2016 and HY2017, the substantial deterioration of the shareholders' equity for the Group in the past three financial years as well as the statement on material uncertainty related to going concern found in the Independent Auditors' Report for FY2016.
 - The premium represented by the Exercise Price over the last transacted price prior to the announcement is lower than the 2010 Convertible Bonds but higher than the 2013 Convertible Bonds and the 2015 Convertible Bonds.
- (h) The assessment of the Proposed Warrants Issue in terms of the Exercise Price (as set out in Section 5.4 of this Letter) after taking into account, *inter alia*, the following factors:-
- (i) The Exercise Price is set at a 5.0% premium to the volume weighted average price of the Shares traded on the SGX-ST for the last 20 days immediately prior to the date of signing of the Warrant Subscription Agreements, subject to adjustment in accordance with the terms and conditions of the Warrants.
 - (ii) Comparison of the Exercise Price with the historical prices for the Shares. The Exercise Price represents:-
 - a premium of approximately 28.6% over the last transacted price of S\$0.035 per Share on the SGX-ST on 22 May 2017, being the last Trading Day prior to the Announcement Date;
 - a discount of approximately 54.9%, 29.0% and 21.4% from the VWCP for the Shares for the 12-month, 6 month and 3-month prior to and including the Announcement Date respectively;
 - a premium of approximately 4.5% over the VWCP for the Shares for the 1 month prior to and including the Announcement Date respectively;
 - a premium of approximately 31.2% over the VWCP for the Shares for the period commencing from the Market Day immediately after the Announcement Date and ending on the Latest Practicable Date; and
 - a premium of approximately 50.0% over the last transacted price of S\$0.030 per Share on the SGX-ST on 29 September 2017, being the last Trading Day prior to the Latest Practicable Date.

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- (iii) The Exercise Price represents a discount of approximately 31.7% and 31.2% from the Group's NAV per Share and NTA per Share as at 30 June 2017 respectively. This has been assessed with the fact that: (a) the valuation of the Group as implied by the Exercise Price in terms of P/NAV and P/NTA ratios are more favourable than any of the Selected Rig Companies and the simple average and the median for the Selected Distribution Companies; and (b) the valuation of the Group as implied by the Exercise Price in terms of P/NTA is within the range and in line with the maximum of the weighted P/NTA for the Selected Distribution Companies and Selected Rig Companies.
- (i) The potential financial effects of the Proposed Bonds Issue and the Proposed Warrants Issue as well as the Proposed POEL Transactions and Proposed HW Transactions as outlined in Section 7.1, 7.2 and 7.3 of the Circular. We wish to highlight that the Proposed Bonds Issue and the Proposed Warrants Issue will generally have favourable impact on the Group's NTA per Share and will result in a lower LPS after completion of the Proposed Bonds Issue and the Proposed Warrants Issue and assuming full exercise of the Warrants by the Lenders. We also note that the Directors believe that: (i) in the longer term, the structure and terms of the Proposed Bonds Issue, coupled with the Proposed Warrants Issue, provide a more favourable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings; (ii) raising long term funds through the Proposed Warrants Issue would enable the Company to diversify its sources through a mix of equity and debt securities; and (iii) the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity.
- (j) The dilutive impact of the exercise of the Warrants and issuance of the Warrant Shares, set out in Section 6 of this Letter, on the percentage of shareholding interest of existing Independent Shareholders and the slight reduction in the voting interest in the Company pursuant to the exercise of the Warrants and issuance of the Warrant Shares which we have viewed in conjunction with the rationale for the Proposed Warrants Issue, being an incentive for the Lenders to the Proposed Bonds Issue and the Directors' view that the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity.
- (k) Confirmation and representation from the Directors that despite all the significant efforts have been made by Directors and Management to refinance the Existing Bonds and/or the Existing Loans (including, *inter alia*, the MTN Programme which was aborted and the attempt to divest the distribution business), they are not aware of any alternative funding offer or refinancing available to the Company as at the Latest Practicable Date, which is comparable in nature, size and scope to the Proposed Bonds Issue.
- (l) Other relevant considerations as set out in Section 6 of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant conditions prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, on balance, the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions are **ON NORMAL COMMERCIAL TERMS**, and **NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders.

We consider the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions to be, on balance, **ON NORMAL COMMERCIAL TERMS**, from a financial point of view after factoring, *inter alia*, the following:

- (i) The Directors' representation and confirmation that the terms and conditions of the Proposed POEL Transactions and the Proposed HW Transactions (including the Security Arrangement) are: (a) not more favourable than the terms and conditions stipulated in the Bond Purchase Agreements entered into with non-interested persons, being OCBC and TAEL, and (b) in line with the terms and conditions stipulated in the Bond Purchase Agreements entered

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into with non-interested persons, being TAEI and OCBC (save for the Back-End Payment for OCBC).

- (ii) The Directors' representation and confirmation in relation to the Security Arrangement:
- As the Security Arrangement provides for the proportionate sharing of security based on the amount outstanding for the Bonds, it is on a *pari passu* basis and the Security Arrangement available to the Interested Persons are the same as those accorded to the non-interested persons, being OCBC and TAEI. Thus, the Interested Persons, being POEL and HW, are acting solely as a lender under the Proposed Bonds Issue and are not preferred as compared to the non-interested persons.
 - Under the Proposed Bonds Issue, all bondholders, regardless whether they are considered as "interested person" under Chapter 9 of the Listing Manual, are entitled to vote at the bondholders' meeting.
 - Bondholders holding not less than 45% in principal amount of the Bonds then outstanding may call for an event of default upon occurrence of certain events prescribed under the terms and conditions for the Proposed Bonds Issue. The Interested Persons, being POEL and HW, hold in aggregate 42.7% of the principal amount of the Bonds and as such, the Interested Persons alone cannot call for an event of default.
- (iii) Fair or favourable comparison of the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions with the previous bonds issuance by the Group, in particular the 2013 Convertible Bonds and the 2015 Convertible Bonds which are the subject of refinancing by the Bonds. In particular, we note that: (a) the interest rate for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions for the first three years is more favourable than the interest rate for the 2010 Convertible Bonds, the 2013 Convertible Bonds and the 2015 Convertible Bonds; and (b) the YTM for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions is between 8.1% per annum (assuming the final redemption at the Maturity Date) to 8.2% per annum (assuming the final redemption at the Extended Maturity Date), which is higher than the respective yield-to-maturity for the 2010 Convertible Bonds but lower than the yield-to-maturity for the 2013 Convertible Bonds and the 2015 Convertible Bonds.
- (iv) The interest rates for the Bonds under the Proposed POEL Transactions and the Proposed HW Transactions appear to be generally favourable or fairly comparable in terms of comparison with (a) the Singapore Prime Lending Rate; (b) the interest rates for the Group's existing bank loan (comprising the Singapore Loan, the Indonesian Loan, and the Bridging Loan 1 and 2); and (c) the interest rate for the 2010 Convertible Bonds, the 2013 Convertible Bonds and the 2015 Convertible Bonds.
- (v) The Exercise Price for the Warrants reflects the current traded prices for the Shares as it is set at a 5.0% premium to the volume weighted average price of the Shares traded on the SGX-ST for the last 20 days immediately prior to 26 May 2017, such date being the date that the Warrant Subscription Agreements were originally made, subject to adjustment in accordance with the terms and conditions of the Warrants. In addition, the valuation of the Group as implied by the Exercise Price, in terms of the P/NTA is generally more favourable than the P/NTA ratio for the Selected Rig Companies, Selected Distribution Companies and weighted P/NTA for the Selected Distribution Companies and Selected Rig Companies.

We considered the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions to be **NOT PREJUDICIAL** to the interest of the Company and its Minority Shareholders, from a financial point of view after factoring, *inter alia*, the following:

- (i) The favourable potential financial effects of the Proposed POEL Transactions and the Proposed HW Transactions as outlined in Section 7.2 and 7.3 of the Circular on the Group's NTA per Share and LPS.

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- (ii) The Proposed Bonds Issue (which includes the Proposed POEL Transactions and the Proposed HW Transactions) is undertaken to refinance the Existing Convertible Bonds and the Existing Loans, which we have viewed in the context of the non-settlement and extension of the maturity of the 2013 Convertible Bonds (with initial maturity date of 21 March 2016) and the 2015 Convertible Bonds (with initial maturity date of 21 September 2016) as well as the statement of material uncertainty related to going concern in the Independent Auditors' Report for FY2016. The Directors believe that: (i) in the longer term, the structure and terms of the Proposed Bonds Issue, coupled with the Proposed Warrants Issue, provide a more favourable option to the Company compared to the typical terms of the funding options presently available from banks and financial institutions for similar amounts of borrowings; (ii) raising long term funds through the Proposed Warrants Issue would enable the Company to diversify its sources through a mix of equity and debt securities; and (iii) the Proposed Warrants Issue, while serving as an incentive for the Lenders, would enable the Company to increase its liquidity.
- (iii) The Group's historically weak financial performance (as demonstrated by the substantial losses after tax and gross loss in the past two financial years and substantial decline in revenue) and weak financial position (as demonstrated by the erosion in the shareholders' equity attributable to the owner of the Company, negative net working capital, and high gearing ratio and total liabilities to shareholders' equity ratio) as well as the statement of material uncertainty related to going concern in the Independent Auditors' Report for FY2016.
- (iv) The dilution impact of the exercise of the Warrants and issuance and allotment of the Warrant Shares on existing Independent Shareholders' interest which appears to be not significant.
- (v) Confirmation and representation from the Directors that despite all the significant efforts have been made by Directors and Management to refinance the Existing Bonds and/or the Existing Loans (including, *inter alia*, the MTN Programme which was aborted and the attempt to divest the distribution business), they are not aware of any alternative funding offer or refinancing available to the Company as at the Latest Practicable Date, which is comparable in nature, size and scope to the Proposed Bonds Issue.

Recommendation

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

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

Matters to highlight

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

- (1) The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the future financial performance or position of the Company or

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the Group subsequent to the completion of the Proposed Transactions (including, *inter alia*, the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions) or the possibility or probability that the Group can improve their profitability or that the anticipated benefits from the Proposed Transactions (including, *inter alia*, the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions) can be realised (as the case may be) or the prices at which the Shares would trade after the completion of the Proposed Transactions or the viability, profitability and risks of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions or the ability of the Group to service all its borrowings (both principal and interest payment) when it falls due and/or to pay the interests and principal re-payments in connection with the Proposed Bonds Issue, including, *inter alia*, the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions when it falls due or the adequacy of the working capital or the ability to continue as a going concern of the Group following completion of the Proposed Transactions.

- (2) Our scope does not require us and we have not made any independent evaluation or business valuation of the Group (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities of the Group (including without limitation, plant and equipment and asset held for sale) or contracts entered into by the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group. With respect to such valuations, we are not experts in the evaluation (including without limitation, market or business value or economic potential) or appraisal of assets and liabilities (including without limitation, plant and equipment and asset held for sale) including, *inter alia*, the contracts or agreements that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment. In addition, our views or opinion or recommendation(s) are from a financial point of view. We do not express any views or opinions or recommendations on the legal, operational and compliance risk and future financial performance of the Group; ability of the Group to service its borrowings including the Proposed Bonds Issue; adequacy of the working capital; and the ability to continue as a going concern of the Group.
- (3) The Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter, the Circular, the unaudited financial statements for the Group for HY2017 and the audited financial statements for the Group for FY2016, there has been no material changes to the Group's business, assets and liabilities, financial position, condition and performance.

Specific objectives

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

8. ACTION TO BE TAKEN BY SHAREHOLDERS

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

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

In addition, Independent Shareholders are advised to read Section 11 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter is addressed to the Non-Interested Directors in connection with and for the sole purpose of their evaluation of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions and is not meant or intended to be an evaluation of the other resolutions to be proposed or alternatives. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except that the Company and the Directors and the Shareholders may reproduce, disseminate or quote the IFA Letter for the sole purpose of the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions and/or at the forthcoming EGM. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as disclosed, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Non-Interested Directors to the Independent Shareholders in relation to the Proposed POEL Transactions and the Proposed HW Transactions as Interested Person Transactions as well as other resolutions referred to in the Circular and the issue of the Circular shall remain the sole responsibility of the Non-Interested Directors and the Directors respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

NOTICE OF EXTRAORDINARY GENERAL MEETING

KS ENERGY LIMITED

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of KS Energy Limited (the “**Company**”) will be held at 19 Jurong Port Road, Singapore 619093 on 27 October 2017 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

*All capitalised terms in this Notice which are not defined herein shall have the meanings ascribed to them in the circular to shareholders of the Company dated 12 October 2017 (the “**Circular**”).*

SHAREHOLDERS SHOULD NOTE THAT ORDINARY RESOLUTIONS 2 AND 3 ARE CONDITIONAL ON THE PASSING OF ORDINARY RESOLUTION 1. IN THE EVENT THAT ORDINARY RESOLUTION 1 IS NOT PASSED, ORDINARY RESOLUTIONS 2 AND 3 WILL ALSO NOT BE PASSED.

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

AS ORDINARY BUSINESS

ORDINARY RESOLUTION 1:

THE PROPOSED BONDS ISSUE AND THE PROPOSED WARRANTS ISSUE

THAT:

- (a) approval be and is hereby given for the repurchase of the S\$45.0 million 6.00 per cent. convertible bonds due 2016 from Oversea-Chinese Banking Corporation Limited (“**OCBC**”), Pacific One Energy Limited (“**POEL**”) and Hedy Wiluan (“**HW**”), the repurchase of the S\$7.5 million 6.00 percent. convertible bonds due 2016 from TAEI One Partners Ltd (acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P.) (“**TAEI**”), the conversion of the Existing Loans owed by the Company to POEL into Bonds, and such other transactions contemplated thereunder;
- (b) approval be and is hereby given for the creation and issue of an aggregate S\$65.5 million fixed rate secured bonds due 2020 (the “**Bonds**”) to OCBC, TAEI, POEL and HW (collectively, the “**Lenders**”), pursuant to the Bond Purchase Agreements entered into between the Company and each of the Lenders, which constitutes a material alteration of the terms of the Existing Convertible Bonds to the advantage of the holders of the Existing Convertible Bonds pursuant to Rule 829(3) of the Listing Manual;
- (c) approval be and is hereby given for the creation and issue of 65.5 million non-listed warrants (the “**Warrants**”) to the Lenders, pursuant to the Warrant Subscription Agreements entered into between the Company and each of the Lenders, each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (the “**Warrant Shares**”) at an exercise price of S\$0.045 per Warrant Share, such Warrants to be exercised during the Exercise Period and on such other terms and conditions as set out in the Warrant Instrument;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) approval be and is hereby given for the issue and allotment of 65.5 million new Warrant Shares to the Lenders upon the exercise of the Warrants in accordance with the terms and conditions of the Warrants, whereby such new Warrant Shares shall rank *pari passu* in all respects with the then existing Shares, except that they will not be entitled to participate in any dividends, rights, allotments or other distributions where the record date is before the date of issue and allotment of the Warrant Shares;
- (e) approval be and is hereby given for the issue of additional Warrants and/or the adjustment to the exercise price of the Warrants as may be required or permitted to be issued in accordance with the terms and conditions of the Warrants, whereby such additional Warrants shall rank *pari passu* with the existing Warrants for all purposes form part of the same series;
- (f) approval be and is hereby given for the execution of the share charge (the “**Share Charge**”) over the shares of the Company’s subsidiary, KS Drilling Pte. Ltd., that are legally and beneficially owned by the Company in favour of the Security Trustee, as continuing security for the payment and discharge of the Company’s obligations under the Bonds; and
- (g) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraphs (a) to (f) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 2:

THE PROPOSED POEL TRANSACTIONS

THAT:

- (a) approval be and is hereby given for the creation and issue of an aggregate S\$18.5 million Bonds and 18.5 million Warrants to POEL, a restricted placee pursuant to Rule 812(1) of the Listing Manual, which constitutes an interested person transaction under Chapter 9 of the Listing Manual, and such other transactions contemplated thereunder; and
- (b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 3:

THE PROPOSED HW TRANSACTIONS

THAT:

- (a) approval be and is hereby given for the creation and issue of an aggregate S\$9.5 million Bonds and 9.5 million Warrants to HW, a restricted placee pursuant to Rule 812(1) of the Listing Manual, which constitutes an interested person transaction under Chapter 9 of the Listing Manual, and such other transactions contemplated thereunder; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

ORDINARY RESOLUTION 4:

THE PROPOSED SECURITY ARRANGEMENT

THAT:

- (a) approval be and is hereby given for the execution of a share charge over 179,156,000 Ordinary Shares of the Company's subsidiary, KS Drilling Pte. Ltd., that are legally and beneficially owned by the Company and all other shares in KS Drilling Pte. Ltd. which are now or in the future issued to or acquired or subscribed by the Company or in which the Company now or in the future has an interest (the "**Charged Assets**") in favour of Oversea-Chinese Banking Corporation Limited (the "**Share Charge**"), acting as security trustee for the Lenders, as continuing security for the payment and discharge of the Company's obligations under the Bonds issued to the Lenders, pursuant to which the foreclosure on all the Charged Assets under the Share Charge shall constitute a major transaction under Chapter 10 of the Listing Manual; and
- (b) any director of the Company be and is hereby authorised to complete and to do all acts and things as he may consider necessary, desirable or expedient to give effect to the matters referred to in paragraph (a) above and/or to give effect to this resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alterations or modifications to any document (if required) as he shall think fit and in the interests of the Company.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Soh Gim Teik
Director
12 October 2017

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak 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 (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. A proxy need not be a member of the Company.
3. The Proxy Form must be lodged at the Company's registered office at 19 Jurong Port Road, Singapore 619093, not less than 48 hours before the time fixed for holding the above Meeting.

PERSONAL DATA PRIVACY

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Extraordinary General Meeting and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder'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 Extraordinary General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Extraordinary General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guideline (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder 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 shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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KS ENERGY LIMITED

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

EXTRAORDINARY GENERAL MEETING

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore (the "Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Extraordinary General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("CPF Investors"), this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies or the appointment of their Agent Banks as proxies for the Extraordinary General Meeting.

I/We _____ (Name), _____ (NRIC/Passport No.)

of _____ (Address),

being a member/members* of **KS ENERGY LIMITED** (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No	Proportion of Shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No	Proportion of Shareholdings	
			No. of Shares	%

or failing the person or either both of the persons referred to above, the Chairman of the Extraordinary General Meeting of the Company ("**EGM**"), as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf at the EGM to be held at 19 Jurong Port Road, Singapore 619093 on 27 October 2017 at 10.00 a.m., and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matters arising at the EGM and at any adjournment thereof.

The resolution put to the vote of the EGM shall be decided by the way of poll. Please indicate the number of votes as appropriate.

**Delete as appropriate.*

No.	Ordinary Resolution	Number of votes FOR	Number of votes AGAINST
1.	To approve the Proposed Bonds Issue and the Proposed Warrants Issue		
2.	To approve the Proposed POEL Transactions		
3.	To approve the Proposed HW Transactions		
4.	To approve the Proposed Security Arrangement		

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" in the relevant box provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please insert the relevant number of shares in the relevant boxes provided below. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the EGM.)

Dated this _____ day of _____ 2017.

Total Number of shares held in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.

NOTES:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak 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 (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. A proxy need not be a member of the Company.
4. 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) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 19 Jurong Port Road, Singapore 619093 not less than 48 hours before the time appointed for the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

fold along this line (1)

AFFIX
POSTAGE
STAMP

The Company Secretary

KS ENERGY LIMITED
19 JURONG PORT ROAD
SINGAPORE 619093

fold along this line (2)

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Act.
9. The submission of an instrument or form appointing a proxy by a member does not preclude him from attending and voting in person at the EGM if he so wishes.
10. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the shareholder, 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.
11. CPF Investors who buy shares in the Company may attend and cast their vote at the meeting in person. CPF Investors who are unable to attend the meeting but would like to vote, may inform CPF Approved Nominees to appoint Chairman of the EGM to act as their proxy, in which case, the CPF Investor shall be precluded from attending the meeting.
12. By submitting an instrument appointing a proxy or proxies, the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 12 October 2017.

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