

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

This Appendix is circulated to the Shareholders of KS Energy Limited (the “**Company**”) together with the Company’s Annual Report 2012 (as defined herein). Its purpose is to explain to the Shareholders the rationale and to provide information pertaining to (a) the proposed renewal of the DSAW IPT Mandate (as defined herein); and (b) the proposed renewal of the JVC IPT Mandate (as defined herein), and to seek Shareholders’ approval of the same at the Annual General Meeting to be held on **30 April 2013 at 10.00 a.m. at 19 Jurong Port Road, Singapore 619093**.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report 2012.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward the Annual Report 2012 (including the Notice of Annual General Meeting and the Proxy Form) and this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

For investors who have used their Central Provident Fund (“**CPF**”) monies to buy shares in the capital of the Company, this Appendix is forwarded to them at the request of their CPF approved nominees and is sent solely for information only.

This document has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document including the accuracy of any of the statements or opinions made, or reports contained in this document.



**APPENDIX**

**TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 15 APRIL 2013**

**IN RELATION TO**

- (A) THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT DWI SUMBER ARCA WAJA GROUP; AND**
- (B) THE PROPOSED RENEWAL OF THE SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT KS DRILLING INDONESIA AND/OR ITS SUBSIDIARIES**

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## CONTENTS

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<b>DEFINITIONS</b> .....	<b>2</b>
<b>1. INTRODUCTION</b> .....	<b>6</b>
<b>2. PROPOSED RENEWAL OF THE DSAW IPT MANDATE</b> .....	<b>7</b>
<b>3. PROPOSED RENEWAL OF THE JVC IPT MANDATE</b> .....	<b>7</b>
<b>4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS</b> .....	<b>8</b>
<b>5. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING</b> .....	<b>8</b>
<b>6. AUDIT COMMITTEE'S STATEMENT</b> .....	<b>9</b>
<b>7. DIRECTORS' RECOMMENDATIONS</b> .....	<b>9</b>
<b>8. DIRECTORS' RESPONSIBILITY STATEMENT</b> .....	<b>9</b>
<b>9. ADVICE TO SHAREHOLDERS</b> .....	<b>10</b>
<b>ANNEXURE</b> .....	<b>11</b>

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## DEFINITIONS

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In this Appendix, the following definitions apply throughout unless otherwise stated:

<b>“AGM”</b>	:	Annual General Meeting of the Company. Unless the context otherwise requires, “AGM” shall refer to the annual general meeting to be held on 30 April 2013
<b>“Annual Report 2012”</b>	:	The Company’s annual report for the financial year ended 31 December 2012
<b>“Appendix”</b>	:	This appendix to the Notice
<b>“Associate”</b>	:	(a) In relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:– <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(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</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more</li></ul> (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
<b>“Associated Company”</b>	:	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group
<b>“Audit Committee”</b>	:	The audit committee of the Company comprising Mr Lim Ho Seng, Mr Billy Lee Beng Cheng and Mr Wong Meng Yeng
<b>“Board”</b>	:	The board of Directors of the Company as at the date of this Appendix
<b>“BPMigas”</b>	:	Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi
<b>“CAIN”</b>	:	PT Citra Agramasinti Nusantara
<b>“CEO”</b>	:	Chief Executive Officer
<b>“Company”</b>	:	KS Energy Limited

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## DEFINITIONS

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<b><i>“Companies Act”</i></b>	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
<b><i>“Controlling Shareholder”</i></b>	:	A person who:–  (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or  (b) in fact exercises control over a company
<b><i>“Conversion Service”</i></b>	:	The service of converting rolling plates, plain steel pipes and hot rolled coils into large diameter steel pipes, structural tubular, threading services and other similar or ancillary services
<b><i>“Directors”</i></b>	:	The directors of the Company as at the date of this Appendix
<b><i>“DSAW”</i></b>	:	PT DWI Sumber Arca Waja
<b><i>“DSAW Group”</i></b>	:	DSAW, its subsidiaries (including PT Citra Tubindo Engineering) and its associates (as defined in the Listing Manual)
<b><i>“DSAW Interested Persons”</i></b>	:	DSAW and their respective associates (as defined in the Listing Manual), and <i>“DSAW Interested Person”</i> means any one of them
<b><i>“DSAW IPT Mandate”</i></b>	:	The general mandate granted by Independent Shareholders at the EGM held on 26 April 2012 for the Company, its subsidiaries and associated companies or any of them, to enter into IPTs with the DSAW Group
<b><i>“EGM”</i></b>	:	Extraordinary General Meeting of the Company
<b><i>“Equipment”</i></b>	:	Has the meaning ascribed to it in paragraph 2.1(b) of the annexure to this Appendix
<b><i>“Independent Directors”</i></b>	:	The Directors who are not interested in the outcome of the proposed renewals of the IPT Mandates, being Mr Koh Soo Keong, Mr Abdulla Mohammed Saleh, Mr Lim Ho Seng, Mr Billy Lee Beng Cheng and Mr Wong Meng Yeng
<b><i>“Independent Shareholders”</i></b>	:	The Shareholders who are deemed to be independent of the Interested Person Transactions contemplated under the relevant IPT Mandate
<b><i>“Interested Persons”</i></b>	:	A Director, CEO, Substantial Shareholder or Controlling Shareholder of the Company or an Associate of any of them

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## DEFINITIONS

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<b><i>“Interested Person Transactions” or “IPTs”</i></b>	:	Transactions between (i) Interested Persons and (ii) the Company, its subsidiaries (which are not listed on the SGX-ST or an approved exchange) or any Associated Companies (which are not listed on the SGX-ST or an approved exchange), provided the Group or the Group and its Interested Persons have control over the Associated Company
<b><i>“Internal Auditors”</i></b>	:	The internal auditors of the Company
<b><i>“IPT Mandates”</i></b>	:	The DSAW IPT Mandate and the JVC IPT Mandate, collectively; and <i>“IPT Mandate”</i> means any one of them
<b><i>“JVC”</i></b>	:	PT KS Drilling Indonesia
<b><i>“JVC Group”</i></b>	:	The JVC and its subsidiaries
<b><i>“JVC Interested Persons”</i></b>	:	CAIN and its associates (as defined in the Listing Manual), the JVC Group and its associates; and <i>“JVC Interested Person”</i> means any one of them
<b><i>“JVC IPT Mandate”</i></b>	:	The general mandate granted by Independent Shareholders at the EGM held on 7 December 2012 for the Company, its subsidiaries and associated companies or any of them, to enter into IPTs with the JVC Group
<b><i>“KS Drilling”</i></b>	:	KS Drilling Pte Ltd, a subsidiary of the Company
<b><i>“KS Group”</i></b>	:	The Company, its subsidiaries and its associates (as defined in the Listing Manual)
<b><i>“Latest Practicable Date”</i></b>	:	20 March 2013, being the latest practicable date prior to the printing of this Appendix
<b><i>“Listing Manual” or “Listing Rules”</i></b>	:	The rules of the listing manual of the SGX-ST applicable to an entity listed on the SGX-Mainboard, as amended, modified or supplemented from time to time
<b><i>“Management Services”</i></b>	:	Has the meaning ascribed to it in paragraph 2.2(b) of the annexure to this Appendix
<b><i>“Notice”</i></b>	:	The Notice of Annual General Meeting dated 15 April 2013
<b><i>“Rigs”</i></b>	:	Has the meaning ascribed to it in paragraph 2.2(a) of the annexure to this Appendix
<b><i>“Securities Account”</i></b>	:	A securities account maintained by a Depositor with CDP, but does not include a securities account maintained with a Depository Agent

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## DEFINITIONS

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<b>“Senior Executives”</b>	:	The senior executives of the Company (with no interest, direct or indirect, in the relevant Interested Person Transaction), for the purposes of the review procedures described in paragraph 5 (Review Procedures for the Interested Person Transactions Under the IPT Mandates) of the annexure to this Appendix, consisting of the Head of Commercial, Head of Finance and General Manager of the various departments or such person of equivalent authority
<b>“SGX-Mainboard”</b>	:	The Mainboard of the SGX-ST
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares, except that where the registered holder is the Central Depository (Pte) Limited, the term “Shareholder” shall, in relation to those Shares, mean the Depositors whose Securities Accounts are credited with Shares
<b>“Shares”</b>	:	Ordinary shares in the share capital of the Company
<b>“Substantial Shareholder”</b>	:	A Shareholder who has an interest in not less than 5% of the issued Shares, as defined under section 81 of the Companies Act
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
<b>“UMW”</b>	:	PT Unimas Motor Wasta
<b>“S\$” and “cents”</b>	:	Dollars and cents respectively of the currency of Singapore
<b>“%” or “per cent”</b>	:	Per centum or percentage

The terms “**Depositors**”, “**Depository**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them, respectively, in Section 130A of the Companies Act.

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

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

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## LETTER TO SHAREHOLDERS

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### KS Energy Limited

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

#### Board of Directors:–

Mr Kris Taenar Wiluan (Executive Chairman and CEO)  
Mr Koh Soo Keong (Non-Executive Director)  
Mr Abdulla Mohammed Saleh (Non-Executive Director)  
(Alternate: Mr Nelson McCallum Gibb)  
Mr Lim Ho Seng (Non-Executive and Lead Independent Director)  
Mr Billy Lee Beng Cheng (Non-Executive and Independent Director)  
Mr Wong Meng Yeng (Non-Executive and Independent Director)

#### Registered Office:

19 Jurong Port Road  
Singapore 619093

15 April 2013

To: The Shareholders of KS Energy Limited

Dear Sir/Madam

- (A) THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT DWI SUMBER ARCA WAJA GROUP (THE "DSAW IPT MANDATE"); AND**
- (B) THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS WITH PT KS DRILLING INDONESIA AND/OR ITS SUBSIDIARIES (THE "JVC IPT MANDATE")**

#### 1. INTRODUCTION

##### 1.1 Annual General Meeting

Reference is made to the Notice of Annual General Meeting of KS Energy Limited (the "**Company**") dated 15 April 2013, accompanying the Annual Report of the Company for the financial year ended 31 December 2012, convening the Annual General Meeting of the Company (the "**AGM**") which is scheduled to be held on 30 April 2013 and the Ordinary Resolutions 7 and 8 in relation to the renewal of the DSAW IPT Mandate and the renewal of the JVC IPT Mandate respectively, under the heading "Special Business" set out in the Notice.

##### 1.2 Purpose of this Appendix

The purpose of this Appendix is:–

- (a) to provide the Independent Shareholders with details in respect of the proposed renewal of the DSAW IPT Mandate; and
- (b) to provide the Independent Shareholders with details in respect of the proposed renewal of the JVC IPT Mandate.

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## LETTER TO SHAREHOLDERS

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### **2. PROPOSED RENEWAL OF THE DSAW IPT MANDATE**

#### **2.1 The Existing DSAW IPT Mandate**

At the EGM held on 26 April 2012, the Independent Shareholders granted approval for certain Interested Person Transactions, to be entered into between the Company, its subsidiaries and associated companies or any of them, and the DSAW Interested Persons, pursuant to Chapter 9 of the Listing Manual.

The DSAW IPT Mandate enables the Company, its subsidiaries and associated companies which are considered “entities at risk” within the meaning of Rule 904 of the Listing Manual, in their ordinary course of business, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm’s length basis and on normal commercial terms.

#### **2.2 Details of the DSAW IPT Mandate**

Details of the DSAW IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in the Annexure to this Appendix.

#### **2.3 Proposed Renewal of the DSAW IPT Mandate**

The DSAW IPT Mandate was to take effect until the conclusion of the AGM to be held on 30 April 2013. Accordingly, the Directors propose that the DSAW IPT Mandate be renewed at the AGM, taking effect until the conclusion of the following AGM.

### **3. PROPOSED RENEWAL OF THE JVC IPT MANDATE**

#### **3.1 The Existing JVC IPT Mandate**

At the EGM held on 7 December 2012, the Independent Shareholders granted approval for certain Interested Person Transactions, to be entered into between the Company, its subsidiaries and associated companies or any of them, and the JVC Interested Persons, pursuant to Chapter 9 of the Listing Manual.

The JVC IPT Mandate enables the Company, its subsidiaries and associated companies which are considered “entities at risk” within the meaning of Rule 904 of the Listing Manual, in their ordinary course of business, to enter into categories of transactions with specified classes of interested persons, provided that such transactions are entered into on an arm’s length basis and on normal commercial terms.

#### **3.2 Details of the JVC IPT Mandate**

Details of the JVC IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information required by Chapter 9 of the Listing Manual are set out in the Annexure to this Appendix.

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## LETTER TO SHAREHOLDERS

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### 3.3 Proposed Renewal of the JVC IPT Mandate

The JVC IPT Mandate was to take effect until the conclusion of the AGM to be held on 30 April 2013. Accordingly, the Directors propose that the JVC IPT Mandate be renewed at the AGM, taking effect until the conclusion of the following AGM.

### 4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, save as disclosed below, none of the Directors have any direct or deemed interest in the Shares of the Company:

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	%
<b>Directors</b>				
Mr Kris Taenar Wiluan <sup>(2)</sup>	–	–	232,307,690	56.61
Mr Abdulla Mohammed Saleh <sup>(3)</sup>	–	–	50,751,948	12.37
<b>Substantial Shareholders</b>				
Pacific One Energy Limited <sup>(2)</sup>	232,307,690	56.61	–	–
Dubai Transport Company LLC <sup>(3)</sup>	50,751,948	12.37	–	–
Kim Seng Holdings Pte Ltd <sup>(4)</sup>	22,689,600	5.53	–	–

**Notes:**

- (1) The percentage of issued share capital is calculated on the basis of 410,345,772 Shares, excluding 11,308,000 treasury shares, as at the Latest Practicable Date.
- (2) Mr Kris Taenar Wiluan, Rija Holdings Limited and Mr Richard James Wiluan are deemed interested in the 232,307,690 Shares held by Pacific One Energy Limited.
- (3) Mr Abdulla Mohammed Saleh, AMSAF Investment LLC and Mr Ahmad Abdulrahim Baker are deemed interested in the 50,751,948 Shares held by Dubai Transport Company LLC.
- (4) Mr Tan Kim Seng, Mr Tan Hoo Lang, Mr Tan Fuh Gih and Mr Tan Wei Min are deemed interested in the 22,689,600 Shares held by Kim Seng Holdings Pte Ltd.

### 5. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

By virtue of its interest in the DSAW IPT Mandate and the JVC IPT Mandate (collectively, the **"IPT Mandates"**), Pacific One Energy Limited, holding direct interests of 56.48% in the share capital of the Company, will abstain and has undertaken to ensure that its associates will abstain from voting in respect of Ordinary Resolution 7 and Ordinary Resolution 8 in relation to the renewals of the DSAW IPT Mandate and the JVC IPT Mandate respectively, under the heading "Special Business" set out in the Notice.

Further, Pacific One Energy Limited undertakes to decline, and ensures that its associates will decline, to accept appointment as proxies to vote and attend at the forthcoming AGM in respect of the ordinary resolutions to approve the renewal of the IPT Mandates for other Shareholders of the Company unless the Shareholder concerned has given specific instructions as to the manner in which his votes are to be cast.

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## LETTER TO SHAREHOLDERS

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### 6. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed the terms of the proposed IPT Mandates and confirms that:

- (a) the methods or procedures for determining the transaction prices under the DSAW IPT Mandate and the JVC IPT Mandate have not changed since the EGMs of the Company held in 26 April 2012 and 7 December 2012 respectively; and
- (b) the methods or procedures for determining the transaction prices under the IPT Mandates are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the periodic reviews by the Audit Committee, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the Interested Person Transactions will be transacted on an arm's length basis and on normal commercial terms and would be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from the Shareholders based on new guidelines and procedures.

### 7. DIRECTORS' RECOMMENDATIONS

The Independent Directors, having considered, *inter alia*, the terms, the rationale and the benefits of the IPT Mandates and the statement of the Audit Committee, are of the view that the IPT Mandates, as proposed to be renewed, are in the best interests of the Company and accordingly recommend that the Independent Shareholders vote in favour of Ordinary Resolution 7 and Ordinary Resolution 8, being the Ordinary Resolutions relating to the proposed renewals of the DSAW IPT Mandate and the JVC IPT Mandate respectively, at the AGM.

### 8. DIRECTORS' RESPONSIBILITY STATEMENT

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

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## LETTER TO SHAREHOLDERS

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### 9. ADVICE TO SHAREHOLDERS

Shareholders who are in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Yours faithfully,  
For and on behalf of the Board of Directors of  
**KS Energy Limited**

Koh Soo Keong  
Non-Executive Director

## ANNEXURE

### INTERESTED PERSON TRANSACTIONS MANDATE

#### 1. CHAPTER 9 OF THE LISTING MANUAL

- 1.1 Chapter 9 of the Listing Manual (“**Chapter 9**”), applies to transactions which an entity at risk proposes to enter into with a counterparty who is an interested person of the entity at risk. Under Chapter 9, Shareholders’ approval and/or an immediate announcement is required in respect of that transaction if its value is equal to or exceeds certain financial thresholds.

Pursuant to Listing Rule 905, a listed company must make an immediate announcement of any such transaction where:

- (a) the value of such transaction is equal to or exceeds 3% of the group’s latest audited net tangible assets; or
- (b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year, equals to or exceeds 3% of the group’s latest audited net tangible assets.

Pursuant to Listing Rule 906, shareholders’ approval (in addition to an immediate announcement) is required for any such transaction where:

- (a) the value of such transaction is equal to or exceeds 5% of the group’s latest audited net tangible assets; or
- (b) the value of such transaction when aggregated with the values of other transactions previously entered into with the same interested person in the same financial year, equals to or exceeds 5% of the group’s latest audited net tangible assets. Such aggregation need not include any transaction that has been approved by shareholders previously or is the subject of aggregation with another transaction that has been previously approved by shareholders.

Interested person transactions below S\$100,000 each are to be excluded.

- 1.2 Chapter 9 allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations. However, these transactions may not include the purchase or sale of assets, undertakings or businesses.

- 1.3 As defined in the Listing Manual:

- (a) an “entity at risk” means:
  - (i) the issuer;
  - (ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or
  - (iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s) has control over the associated company;

- (b) an “interested person” means:
  - (i) a director, chief executive officer or controlling shareholder of the listed company; or
  - (ii) an associate of such director, chief executive officer or controlling shareholder.
- (c) an “associate” means:
  - (i) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:
    - (aa) an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent);
    - (bb) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
    - (cc) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
  - (ii) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;
- (d) an “interested person transaction” means a transaction between an entity at risk and an interested person; and
- (e) an “approved exchange” means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles of Chapter 9.

## 2. SCOPE OF THE IPT MANDATES

The IPT Mandates will not cover any transaction with an Interested Person that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 would not apply to such transactions.

Transactions with interested persons which do not fall within the ambit of the IPT Mandates shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual and/or any applicable law. Transactions conducted under the IPT Mandates are not separately subject to Rules 905 and 906 of Chapter 9 of the Listing Manual pertaining to threshold and aggregation requirements.

### 2.1 Scope of the DSAW IPT Mandate

A general mandate was granted to the Company by its shareholders in a general meeting held on 26 April 2012 to undertake recurrent IPTs with the DSAW Group of a revenue or trading nature or for those necessary for its day-to-day operations, excluding those transactions involving the purchase or sale of assets, undertakings or businesses (the “**DSAW IPT Mandate**”), pursuant to Rule 920 of the Listing Manual. The DSAW IPT Mandate covered the purchasing and/or leasing of various Equipment (as defined in

paragraph 2.1(b) below) from the DSAW Group and engaging its services to repair, maintain, refurbish, modify and/or upgrade the KS Group's Equipment, and the leasing of the DSAW Group's warehouses and workshops to the KS Group.

The categories of Interested Person Transactions which are covered by the DSAW IPT Mandate include but are not limited to:

(a) Provision of goods and services to and from the DSAW Group

The provision of goods and services from the DSAW Group to the KS Group will include:

- (i) the sale of completed large diameter steel pipes and structural tubulars;
- (ii) the provision of Conversion Services to the KS Group in situations where the KS Group procures the necessary raw materials and upon the completion of the Conversion Services by the DSAW Group, the finished products will be sold by the KS Group to its customers; and
- (iii) the lease of the DSAW Group's facilities, being warehouses for the storage of its parts, equipment and consumables used in its operations in Indonesia and workshops for carrying out its own maintenance, overhauling or refurbishment of its Equipment in the region.

In addition, the KS Group intends to continue to sell to the DSAW Group its range of products including, but not limited to:

- (i) rolling plates and steel products such as line pipes, rolled sections (including beams, angles and channels), plain steel plates, hot rolled steel coils and related products;
- (ii) welding equipment, consumables and related products;
- (iii) oil & gas products such as high pressure flow control equipment, fluid connector assemblies, professional heavy-duty hand tools, well head lubricants, offshore cargo nets and related products;
- (iv) industrial products and materials such as pipe tools, hose and hose fittings, chain and chain components, needle and gauge valves including spares and consumables and related products;
- (v) hydraulic equipment, gaskets, spare parts and accessories and related products; and
- (vi) instrumentation products such as tubes, valves and related products.

(b) Provision of other Equipment and services by the DSAW Group

The DSAW Group is also a fabricator and manufacturer of structural platforms, onshore and offshore rigs, modules and equipment (collectively, "**Equipment**") for the oil and gas industry.

In addition to the transactions set out in paragraph 2.1(a) above, the KS Group intends to purchase and/or lease various Equipment from the DSAW Group including but not limited to onshore and offshore rigs.

The KS Group also intends to engage the services of the DSAW Group in relation to the repair, maintenance, refurbishment, modification and upgrading of the KS Group's Equipment.

## 2.2 Scope of the JVC IPT Mandate

A general mandate was granted to the Company by its shareholders in a general meeting held on 7 December 2012 to undertake recurrent IPTs with the JVC Group of a revenue or trading nature or for those necessary for its day-to-day operations, excluding those transactions involving the purchase or sale of assets, undertakings or businesses (the "**JVC IPT Mandate**"), pursuant to Rule 920 of the Listing Manual. The JVC IPT Mandate covered the provision of Rigs (as defined in paragraph 2.2(a) below) and associated equipment to and from the JVC Group, and the provision of Management Services (as defined in paragraph 2.2(b) below) by KS Drilling to the JVC Group.

The categories of Interested Person Transactions which are covered by the JVC IPT Mandate include:

- (a) the buying, selling and chartering of onshore and offshore rigs ("**Rigs**") and associated equipment between the KS Group and the JVC Group; and
  - (b) the provision of management services by KS Drilling to the JVC Group, which includes:
    - (i) managing the daily operations of the JVC Group;
    - (ii) providing the technical expertise and management systems required for the preventative maintenance and repair for the Rigs; and
    - (iii) KS Drilling having the exclusive rights to market the JVC Group's Rigs and associated equipment
- (collectively, the "**Management Services**").

The buying, selling and chartering of Rigs and associated equipment and the provision of Management Services are transactions entered into by the KS Group in the ordinary course of its business.

## 3. CLASSES OF INTERESTED PERSONS

### 3.1 The DSAW Interested Persons

The DSAW IPT Mandate will apply to the IPTs (as described in paragraph 2.1 above) which are carried out with DSAW and their respective associates (as defined in the Listing Manual).

- (a) Mr Kris Taenar Wiluan is the Executive Chairman, CEO and Controlling Shareholder of the Company. As at the Latest Practicable Date, he is interested in 56.48% of the issued and paid-up share capital of the Company and for the purposes of Chapter 9 of the Listing Manual is considered a Controlling Shareholder.
- (b) As at the Latest Practicable Date, CAIN holds 91.08% of the issued and paid-up share capital of DSAW. CAIN is a company established in Indonesia and is also a direct shareholder of 21.85% 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 78.14% of its issued and paid-up share capital. CAIN and Mr Kris Taenar Wiluan also holds 95.00% and 5.00%, respectively, of the issued and paid-up share capital of PT Unimas Motor Wasta (“**UMW**”) and UMW in turn holds 1.00% of the issued and paid-up share capital of DSAW. As at the Latest Practicable Date:

- (i) Mr Kris Taenar Wiluan and his sister (and therefore associate), Ms Hedy Wiluan, are shareholders of CAIN and they hold 60.00% and 40.00% of the issued and paid-up share capital of CAIN, respectively. Mr Kris Taenar Wiluan and Ms Hedy Wiluan are the President Commissioner and Commissioner of CAIN, respectively.
  - (ii) Pursuant to section 7 of the Companies Act and through his interest in CAIN, Mr Kris Taenar Wiluan is deemed interested in 92.08% of the issued and paid-up share capital of DSAW. Ms Hedy Wiluan is similarly deemed interested in 92.08% of the issued and paid-up share capital of DSAW. The remaining 7.92% of the issued and paid-up share capital of DSAW is held by unrelated third parties.
- (c) As at the Latest Practicable Date, Mr Kris Taenar Wiluan (alone or together with his associate, Ms Hedy Wiluan) is, in aggregate, interested in 92.08% of the issued and paid-up share capital of DSAW. DSAW is thus Mr Kris Taenar Wiluan’s associate and an interested person of the Company.
- (d) Mr Kris Taenar Wiluan is thus interested in the outcome of the ordinary resolution to renew the DSAW IPT Mandate and is therefore not an Independent Director.

### **3.2 The JVC Interested Persons**

The JVC IPT Mandate will apply to the IPTs (as described in paragraph 2.2 above) which are carried out with CAIN and its associates, as well as the JVC Group and its associates (as defined in the Listing Manual).

For the reasons set out in paragraphs 3.1(a) and 3.1(b)(i) above, Mr Kris Taenar Wiluan is interested in the outcome of the ordinary resolution to approve the renewal of the JVC IPT Mandate and is therefore not an Independent Director.

## **4. RATIONALE FOR AND BENEFITS OF THE IPT MANDATES**

The IPT Mandates are intended to facilitate transactions conducted in the ordinary course of business of the KS Group, which are recurrent in nature and which may be transacted from time to time with the Interested Persons. The transactions shall be carried out on normal commercial (or, in the absence of other similar comparable transactions, commercially reasonable) terms and must not be prejudicial to the interests of the KS Group and the minority Shareholders.

The Directors are of the view that it will be beneficial to the KS Group to transact or continue to transact with the Interested Persons for the reasons stated below:

### **4.1 Rationale for and Benefits of the DSAW IPT Mandate**

The KS Group intends to, in the ordinary course of business, continue entering into trading transactions with the DSAW Group. It is thus impractical for the Company to announce and/or convene separate general meetings on each occasion to seek Shareholders’ approval for the entry by the KS Group into such transactions. The DSAW IPT Mandate enables the KS Group to conduct its ordinary business of trading with the DSAW Group, which is time-sensitive and recurring in nature.

The proposed renewal of the DSAW IPT Mandate on an annual basis would eliminate the need for the Company to announce, or to announce and convene separate general meetings from time to time to seek the Shareholders' prior approval, as and when potential IPTs with DSAW or any of its subsidiaries arise, thereby reducing substantially the administrative time, inconvenience and expenses involved in convening such meetings, without compromising the Company's corporate objectives and/or adversely affecting the business opportunities available to the KS Group. The KS Group's resources and time can thus be focused on attaining other corporate and business opportunities.

Sales to DSAW will represent an additional source of revenue for the KS Group. With regard to purchases, the KS Group will not only be able to offer an expanded product range to its customers, but will also be obtaining quotations from the DSAW Group, in addition to obtaining quotations from third parties. The various quotations available for assessment will ensure that the KS Group obtains competitive prices for goods and services of similar quality and specifications.

The KS Group will build on its mutual course of dealings with the DSAW Group over the years and benefit from the familiarity that the DSAW Group possesses in relation to the specifications and requirements that it requires for such goods and services. This gives the KS Group assurance that the quality of goods and services provided by the DSAW Group would meet its requirements and standards. The terms that the KS Group extends to the DSAW Group (both for sales, as well as purchases) will not be more favourable than that which it extends to unrelated third parties.

The purchase of onshore and offshore rigs from an Indonesian manufacturer of rigs such as the DSAW Group, should contribute towards helping the KS Group's Indonesian subsidiaries achieve the local content requirements set out by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("**BPMigas**") in accordance with BPMigas Operations Guidelines Number 007 Revision-II/PTK/I/2011 regarding Supply Chain Management Guidelines for Cooperation Contract Contractors. Achieving such local content requirement should enhance the ability of the KS Group's Indonesian subsidiaries to participate in tenders with cooperation contract contractors (also known as production-sharing contractors) despite its status as a majority foreign-owned Indonesian company. It should be noted that on 13 November 2012, following a decision (the "**Decision**") from the Indonesian Constitutional Court (the "**Constitutional Court**") regarding the constitutional review of Law No. 22 of 2001 on Oil and Gas (the "**Oil and Gas Law**"), BPMigas, being the upstream regulator of the oil and gas industry in Indonesia, has been disbanded. In response to the Decision, Presidential Regulation No. 95 Year 2012 (the "**Presidential Regulation**") was issued, transferring the responsibilities of BPMigas to the Ministry of Energy and Mineral Resources ("**MEMR**"). Based on the Presidential Regulation, the Company understands that (i) the transfer of BPMigas' responsibilities to MEMR is a temporary measure while the Indonesian government amends the Oil and Gas Law to accommodate the Decision and (ii) all existing production sharing contracts signed between BPMigas and the various entities will remain in effect until they expire or until such other date as may be agreed. The Company will nonetheless ensure that the JVC shall abide by any revisions made to the Oil and Gas Law and upon the setting up of the new regulatory regime, will ensure that the JVC abides by the applicable regulations or guidelines introduced by the new regulatory regime.

#### **4.2 Rationale for and Benefits of the JVC IPT Mandate**

The buying, selling and chartering of Rigs and associated equipment between the KS Group and the JVC Group will enable both parties to be competitive in tendering for projects in the respective regions in which the parties operate. Consequently, the KS Group will be able to enjoy the financial rewards of securing such projects, regardless as to whether such

projects are secured by the KS Group or the JVC Group. The KS Group therefore intends, in the ordinary course of business, to enter into trading transactions with the JVC Group. It is thus impractical for the Company to announce and/or convene separate general meetings on each occasion to seek Shareholders' approval for the entry by the KS Group into such transactions. The IPT Mandate is intended to enable the KS Group to conduct its ordinary business of trading with the JVC Group, which is time-sensitive and recurring in nature.

In view of the time-sensitive nature of the transactions, it would be advantageous to the KS Group to obtain the IPT Mandate as this will substantially reduce administrative time and expenses associated with the making of such announcements and/or the convening of general meetings from time to time, and allow manpower resources to be focused towards other corporate and business opportunities.

Further, the ownership of Rigs and associated equipment by the JVC Group should contribute towards helping JVC achieve the local content requirements set out by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("**BPMigas**") in accordance with BPMigas Operations Guidelines Number 007 Revision-II/PTK/I/2011 regarding Guidelines for Implementation of Procurement of Goods and Services. Achieving such local content requirement should enhance the ability of JVC to participate in tenders for projects overseen by BPMigas. It should be noted that on 13 November 2012, following a decision (the "**Decision**") from the Indonesian Constitutional Court (the "**Constitutional Court**") regarding the constitutional review of Law No. 22 of 2001 on Oil and Gas (the "**Oil and Gas Law**"), BPMigas, being the upstream regulator of the oil and gas industry in Indonesia, has been disbanded. In response to the Decision, Presidential Regulation No. 95 Year 2012 (the "**Presidential Regulation**") was issued, transferring the responsibilities of BPMigas to the Ministry of Energy and Mineral Resources ("**MEMR**"). Based on the Presidential Regulation, the Company understands that (i) the transfer of BPMigas' responsibilities to MEMR is a temporary measure while the Indonesian government amends the Oil and Gas Law to accommodate the Decision and (ii) all existing production sharing contracts signed between BPMigas and the various entities will remain in effect until they expire or until such other date as may be agreed. The Company will nonetheless ensure that the JVC shall abide by any revisions made to the Oil and Gas Law and upon the setting up of the new regulatory regime, will ensure that the JVC abides by the applicable regulations or guidelines introduced by the new regulatory regime.

## **5. REVIEW PROCEDURES FOR THE INTERESTED PERSON TRANSACTIONS UNDER THE IPT MANDATES**

### **5.1 Review Procedures for the Interested Person Transactions Under the DSAW IPT Mandate**

To ensure that the Interested Person Transactions are conducted at arm's length and on normal commercial terms consistent with the KS Group's usual business practices and on terms which are either generally not more favourable than the usual commercial terms extended to unrelated third parties or generally not less favourable than the usual commercial terms offered by unrelated third parties, the Company has adopted and/or will adopt the following procedures for the review and approval of Interested Person Transactions under the DSAW IPT Mandate:

#### **(a) Goods and services and Equipment from the DSAW Group**

- (i)** Prior to entering into an Interested Person Transaction for the provision of goods and services by the DSAW Group in accordance with paragraph 2.1(a) above, the Company or its subsidiary (as the case may be) will obtain quotations from at

least two (2) other unrelated third parties for a similar transaction as a basis for comparison to determine whether the price and terms offered by DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to those offered by unrelated third parties for a similar transaction. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the Audit Committee.

Where it is impractical or not possible to obtain quotations from unrelated third parties due to the unique nature of the transaction, such transaction shall be carried out based on the prevailing market reference price available or established market references which are acceptable to the Audit Committee and is calculated by reference to any fair pricing basis to be determined and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the Audit Committee.

In determining whether the prices and terms for such transactions with DSAW or its subsidiary (as the case may be) are fair and reasonable, the Company or its subsidiary (as the case may be) will also take into consideration other factors, including but not limited to, speed and costs of delivery of the products or services, product or service quality and suitability, volume of transactions, end customer's requirements and specifications and track record of the DSAW Group as compared to those of other unrelated third parties providing similar products or services.

In determining whether the quotations for Conversion Services are fair and reasonable, the KS Group will take into account other factors that will affect the profit margin of the relevant project, including, but not limited to, the speed and costs of delivery of the raw materials to the DSAW Group, the delivery time and the track record of the DSAW Group as compared to those of other unrelated third parties providing similar Conversion Services.

- (ii) Prior to entering into an Interested Person Transaction for the provision of other Equipment and services by the DSAW Group in accordance with paragraph 2.1(b) above, the Company or its subsidiary (as the case may be) will obtain quotations from at least two (2) other unrelated third parties in Indonesia for a similar transaction as a basis for comparison to determine whether the price and terms offered by DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to those offered by other unrelated third parties in Indonesia for a similar transaction. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the Audit Committee.

Where it is impractical or not possible to obtain quotations from unrelated third parties due to the unique nature of the transaction, the Company or its subsidiary (as the case may be) shall procure an independent valuation of the transaction and determine whether the price and terms offered by DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to the valuation. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the Audit Committee.

In determining whether the prices and terms for such transactions with DSAW or its subsidiary (as the case may be) are fair and reasonable, the Company or its subsidiary (as the case may be) will also take into consideration other factors, including but not limited, to speed and costs of delivery of the products or services, product or service quality and suitability, volume of transactions, end

customer's requirements and specifications and track record of the DSAW Group as compared to those of other unrelated third parties providing similar products or services.

(b) Provision of goods to the DSAW Group

- (i) Prior to entering into an Interested Person Transaction for the provision of goods to the DSAW Group in accordance with paragraph 2.1(a) above, the selling prices of the products sold by the KS Group to unrelated third parties will be used as a basis for comparison to determine whether the prices and terms offered to DSAW or its subsidiary (as the case may be) are fair and reasonable and are comparable to those offered to unrelated third parties for a similar transaction.
- (ii) In determining whether the prices and terms for such sales to DSAW or its subsidiary (as the case may be) are fair and reasonable, the Company or its subsidiary (as the case may be) will also take into consideration other factors, including but not limited to speed and costs of delivery, volume of transactions, duration of contract, preferential rates and bulk discount or rebates.

**5.2 Review Procedures for the Interested Person Transactions Under the JVC IPT Mandate**

To ensure that the Interested Person Transactions conducted pursuant to the JVC IPT Mandate will be conducted at arm's length and on normal commercial terms consistent with the KS Group's usual business practices and on terms which are either generally not more favourable than the usual commercial terms extended to unrelated third parties or generally not less favourable than the usual commercial terms offered by unrelated third parties, the Company has adopted and/or will adopt the following procedures for the review and approval of Interested Person Transactions under the JVC IPT Mandate:

(a) Purchase of Rigs and associated equipment from the JVC Group

(i) Purchase of Rigs

Prior to entering into an Interested Person Transaction for the purchase of Rigs from the JVC Group in accordance with paragraph 2.2 above, the KS Group shall procure an independent valuation of the Rig and evaluate whether the price and terms offered by the JVC Group are fair and reasonable with reference to the independent valuation, taking into consideration other factors, including but not limited to, the speed and costs of delivery of the Rigs and the requirements of the KS Group in relation to its end customers. Such determination shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed and approved by the Audit Committee prior to the transaction.

(ii) Purchase of associated equipment

Prior to entering into an Interested Person Transaction for the purchase of associated equipment from the JVC Group in accordance with paragraph 2.2 above, the KS Group will obtain quotations from at least two (2) other unrelated third parties for a similar transaction as a basis for comparison to evaluate whether the price and terms offered by the JVC Group are fair and reasonable taking into consideration other factors, including but not limited to, quality, suitability, speed and costs of delivery of the associated equipment and end customers' requirements and whether such price and terms are comparable to those offered by unrelated third parties for a similar transaction. Such evaluation

shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the Audit Committee in accordance with paragraphs 5.3 and 5.4 below.

Where it is impractical or not possible to obtain quotations from unrelated third parties due to the unique nature of the transaction, such transaction shall be carried out based on the prevailing market reference price available or established market references which are acceptable to the Audit Committee and is calculated by reference to any fair pricing basis to be evaluated and agreed by at least two (2) Senior Executives of the Company and reviewed quarterly by the Audit Committee in accordance with paragraphs 5.3 and 5.4 below.

(b) Sale of Rigs and associated equipment to the JVC Group

(i) Sale of Rigs

Prior to entering into an Interested Person Transaction for the sale of Rigs to the JVC Group in accordance with paragraph 2.2 above, the KS Group shall procure an independent valuation of the Rigs and evaluate whether the price and terms offered to the JVC Group are fair and reasonable with reference to the independent valuation, taking into consideration other factors, including but not limited to, the original cost of the Rig, its rate of depreciation, demand from unrelated third parties and current market conditions. Such evaluation shall be made and agreed by at least two (2) Senior Executives of the Company and reviewed and approved by the Audit Committee prior to the transaction.

(ii) Sale of associated equipment

Prior to entering into an Interested Person Transaction for the sale of Equipment to the JVC Group, in accordance with paragraph 2.2 above, the selling prices of such Equipment sold by the KS Group to unrelated third parties will be used as a basis for comparison to determine whether the prices and terms offered to the JVC Group are fair and reasonable and are comparable to those offered to unrelated third parties for a similar transaction.

Where due to its specialised nature and there is no precedent for the sale of such associated equipment by the KS Group to unrelated third parties, the sale of such specialised associated equipment to the JVC Group shall be based on KS Drilling's average operating margin as a benchmark and shall not be lower than KS Drilling's average operating margin for the last twelve months prior to such sale.

(c) Chartering of Rigs to or from the JVC Group

Where there is a new charter of Rigs from the JVC Group, this will be done by obtaining quotations from at least two (2) other unrelated third parties for a similar transaction as a basis for comparison. Where it is impractical or not possible to obtain quotations from unrelated third parties, at least two (2) Senior Executives of the Company shall evaluate whether such price and terms offered by the JVC Group are fair and reasonable and such determination shall be reviewed and approved by the Audit Committee prior to the transaction.

Where the transaction involves the chartering of Rigs to the JVC Group, the charter rates and terms offered by the KS Group to unrelated third parties will be used as a basis for comparison.

Where charter rates are revised as a result of changes in market conditions or where there is a renewal of chartering agreements between the KS Group and the JVC Group, the Audit Committee and at least two (2) Senior Executives of the Company shall review and approve the revised rates or the revised terms upon which the charter agreements are to be renewed to ensure that they are on normal commercial terms.

In reviewing whether the charter and terms for such transactions are on normal commercial terms or are fair and reasonable (as the case may be), factors such as, but not limited to the condition of the vessel, the size of the transaction, applicable industry norms and prevailing rates, specifications and strategic purposes of the transaction, shall be taken into account. Such determinations shall be reviewed and approved by the Audit Committee prior to the transaction.

(d) Provision of Management Services

The amount of fees to be charged for the provision of Management Services from KS Drilling to the JVC Group shall be based on KS Drilling's average operating margin and shall not be lower than KS Drilling's average operating margin for the last twelve months prior to such invoicing. Prior to invoicing the JVC Group, such fees shall be reviewed and approved by at least two (2) Senior Executives of the Company on the basis that the provision of Management Services shall be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders and such determinations shall be reviewed quarterly by the Audit Committee.

### **5.3 Threshold Limits for the IPT Mandates**

In addition to the review procedures, the KS Group supplements its internal systems by setting threshold limits to its transactions, to ensure that all categories of Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms as follows:

- (a) a Category 1 transaction is one where in relation to:
  - (i) the sale and purchase contracts (inclusive of charter agreements) with external reference quoted price, the transaction with an Interested Person is below or equal to S\$5,000,000; or
  - (ii) any other sale and purchase contracts (inclusive of charter agreements) without external reference quoted price or rate and service agreements, the transaction with an Interested Person is below or equal to S\$1,000,000;

Notwithstanding paragraph 5.4(a) below, in the event that the aggregate amount of transactions entered into pursuant to paragraph 5.2(a)(ii) exceeds the sum of S\$10,000,000 or where the aggregate of Category 1 transactions exceed S\$20,000,000, the Company shall, on a monthly basis, report all such transactions to the Audit Committee.

- (b) a Category 2 transaction is one where in relation to:
- (i) the sale and purchase contracts (inclusive of charter agreements) with external reference quoted price, the transaction with an Interested Person is in excess of S\$5,000,000; or
  - (ii) any other sale and purchase contracts (inclusive of charter agreements) without external reference quoted price or rate and service agreements, the transaction with an Interested Person is in excess of S\$1,000,000.

Category 1 transactions do not require the prior review and approval of the Audit Committee before the transaction is entered into but shall be reviewed on a quarterly basis by the Audit Committee. Category 2 transactions must be reviewed and approved by the Audit Committee prior to being contracted.

The thresholds of S\$5,000,000 and S\$1,000,000 are set as limits based on expected and past sale and purchase volumes of the KS Group. It also balances the requirement of commercial efficiency and the requirements of oversight by the Audit Committee. Having considered the current market prices, the prevailing market conditions and the expected sale volume, the Board is of the opinion that the threshold limits of S\$5,000,000 and S\$1,000,000 reflect a risk control level that is acceptable to the Company.

In the event that a member of the Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing that particular transaction. Approval of that transaction will accordingly be undertaken by the remaining members of the Audit Committee.

#### **5.4 Other Review Procedures**

In addition to the review procedures set out above, the following have been/will also be implemented:

- (a) Notwithstanding the monthly reports to be provided pursuant to paragraph 5.3(a) above, the Company shall, on a quarterly basis, report to the Audit Committee on all Interested Person Transactions entered into pursuant to the IPT Mandate and the basis on which such transactions were entered into with the Interested Persons during the preceding quarter. The Internal Auditors will, on a quarterly basis, review all Interested Person Transactions entered into pursuant to the IPT Mandate and come up with a quarterly internal audit report. The Audit Committee shall review such internal audit report on such Interested Person Transaction at its quarterly meetings except where any such Interested Person Transaction requires the approval of the Audit Committee prior to the transaction.
- (b) The Company's annual internal audit plan shall also include a review of the established review procedures for the monitoring of Interested Person Transactions during the current financial year. As part of the Company's annual audit, external auditors will review all Interested Person Transactions. The Internal Auditors shall report directly to the Audit Committee. The external auditors will review and confirm the Interested Person Transactions under the notes to the financial statements.

- (c) For the purpose of the above review and approval process, any Director, who has an interest in the Interested Person Transaction under review will not be considered to be independent and will abstain from voting on any resolution relating to the Interested Person Transaction and/or abstain from participating in the Audit Committee's decision during its review of the established review procedures for the Interested Person Transaction or during its review or approval of any Interested Person Transaction.

## **5.5 Register of IPTs**

The Company will maintain a register of all transactions carried out with the Interested Persons pursuant to the IPT Mandate and shall include all information pertinent to the evaluation of the Interested Person Transactions such as, but not limited to the amount of such Interested Person Transactions, the basis for determining the transaction prices and supporting evidence and quotations obtained to support such basis.

The register of such Interested Person Transactions shall be prepared, maintained and monitored by personnel of the Company (who shall not be interested in any of the Interested Person Transactions) who are duly delegated to do so by the Audit Committee and reviewed by the Internal Auditors on a quarterly basis and by the external auditors on an annual basis.

## **5.6 Review by Audit Committee**

As mentioned in paragraph 5.4 of this Appendix, the Audit Committee shall review the quarterly internal audit reports on the Interested Person Transactions to ascertain that the established review procedures for monitoring the Interested Person Transactions have been complied with.

If during these quarterly reviews, the Audit Committee is of the view that the review procedures as stated above have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, to ensure that the Interested Person Transactions entered into pursuant to the IPT Mandates will be conducted based on the Company's normal commercial terms and hence, will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will then seek the Shareholders' approval for the relevant fresh mandate(s) to be adopted based on new guidelines and procedures for transactions with the Interested Persons to ensure that such Interested Person Transactions will be conducted on an arm's length basis and on normal commercial terms. During the period prior to obtaining the relevant fresh mandate(s) from the Shareholders, all Interested Person Transactions which would ordinarily have been entered into pursuant to the relevant mandate(s) being replaced will be subject to prior review and approval by the Audit Committee.

If any member of the Audit Committee has an interest in a transaction, he shall abstain from participating in the review and approval process in relation to that transaction.

## **6. EXPIRY AND SUBSEQUENT RENEWAL OF THE IPT GENERAL MANDATE**

If approved by the Shareholders at the AGM which is scheduled to be held on 30 April 2013, the IPT General Mandate will take effect from the date of passing of the ordinary resolution relating thereto and will continue in force until the next AGM or the date by which the next AGM is required by law to be held, unless revoked or varied by the Company in a general meeting.

**7. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE IPT GENERAL MANDATE**

The Company will announce each of the aggregate values of transactions conducted with Interested Persons pursuant to each of the IPT Mandates for the quarterly financial periods which the Company is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

Disclosure has been made in the Annual Report 2012 of each of the aggregate values of the transactions conducted with Interested Persons pursuant to each of the IPT Mandates during the financial year ended 31 December 2012, and will be made in our Company's Annual Reports for subsequent financial years that the IPT Mandates continue to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

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