



## **KS ENERGY SERVICES LIMITED**

(Company Registration No. 198300104G)

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### **S\$131.6 MILLION CONCURRENT EQUITY AND BOND OFFERING BY KS ENERGY SERVICES LIMITED**

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#### **1. INTRODUCTION**

The Board of Directors of KS Energy Services Limited (the “**Company**”) wishes to announce that, on 23 July 2007, the Company has entered into the following agreements with, inter alia, Centar Investments (Asia) Ltd Ltd (“**Centar**”), Stark Asia Ltd Master Fund Ltd (“**Stark Asia**”) and Stark Master Fund Ltd (“**Stark Master**”) (collectively, the “**Investors**”):

- (a) a bond purchase agreement (the “**Convertible Bond Agreement**”), pursuant to which the Investors propose to subscribe for, and the Company proposes to issue (the “**Bond Offering**”), non-listed, and freely tradable and transferable zero coupon convertible bonds (the “**Convertible Bonds**”) in a principal amount of S\$96,795,000 (the “**Principal Amount**”); and
- (b) a share purchase agreement (the “**Agreement**”), pursuant to which Stark Asia and Stark Master propose to purchase, and the Company proposes to issue and sell (the “**Subscription**”), 10,000,000 ordinary shares in the capital of the Company (the “**Subscription Shares**”) at an aggregate consideration of S\$34,850,000 on the basis of S\$3.485 (the “**Issue Price**”) per Placement Subscription Share.

The Company has appointed Merrill Lynch (Singapore) Pte. Ltd. as the Bookrunner and Lead Manager for both the Bond Offering and the Subscription (collectively, the “**Concurrent Offerings**”).

The combined net proceeds to be raised pursuant to the Concurrent Offerings, after deducting underwriting discounts and commissions and estimated expenses relating to the Concurrent Offerings payable by the Company, are estimated to be S\$130 million (the “**Net Proceeds**”).

#### **2. SALIENT TERMS OF THE BOND OFFERING**

(a) Convertible Bonds

The Investors propose to purchase for, and the Company proposes to issue, the Convertible Bonds at the principal amount of S\$96,795,000.

The Convertible Bonds will be issued pursuant to the general mandate to issue shares and other instruments obtained by ordinary resolution at the annual general meeting of the Company held on 20 April 2007.

The Convertible Bonds will constitute direct and unsecured obligations of the Company and will at all times rank *pari passu* without preference or priority amongst themselves. The payment obligations of the Company under the Convertible Bonds will, save for such exceptions as may be provided by mandatory provisions of applicable laws and the terms of the Convertible Bonds themselves, rank at least equally with all its other present and future direct, unsubordinated, unconditional and unsecured obligations

The Convertible Bonds will not bear any interest and will have a tenor of five (5) years from their date of issue.

(b) Conversion

The Convertible Bonds will convertible into new ordinary shares in the capital of the Company ("**Conversion Shares**") at the option of the holder thereof, at any time from the date falling 40 days after their date of issue up to the close of business 10 days prior to their final maturity date, at an initial conversion price of S\$4.05 for each Conversion Share, subject to adjustment from time to time in the manner to be provided in the terms and conditions of the Convertible Bonds, including upon the occurrence of a takeover or any payment of dividends by the Company exceeding 30% of the Company's consolidated net profits attributable to shareholders after deducting minority interests and tax for the fiscal year in relation to which the cash dividend is made. If and whenever (i) an offer is made to all shareholders to acquire the whole or any part of the ordinary shares of the Company, or (ii) any person proposes a scheme of arrangement; and the right to cast more than 50 per cent of the votes at a general meeting vests in the offeror, the holders of the Bonds shall have a the right for a period of 60 days to convert their Bonds at a conversion price adjusted to take account of the conversion premium applicable to the Bonds at the conversion date. The initial conversion price represents a premium of approximately 7.32% to the volume weighted average price for trades in the ordinary shares in the capital of the Company (the "**Shares**") done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 20 July 2007 and up to the signing of the Convertible Bond Agreement.

The Convertible Bonds will be mandatorily convertible after 26 months from their issue date at the option of the Company, in whole but not in part, if the closing price of the Shares (as quoted on the SGX-ST) on each of the 25 consecutive trading days immediately prior to the date on which notice of such redemption is published is at least 125% of (x), the applicable early redemption amount (being the principal amount of the Bond together with an amount representing a yield to maturity of 5.5%) divided by the agreed conversion ratio.

Upon the conversion of the Convertible Bonds in full, the number of Conversion Shares to be issued by the Company will be 23,900,000 Conversion Shares (based on the initial conversion price of S\$4.05 for each Conversion Share and assuming no adjustments to the conversion price).

(c) Redemption

Unless previously redeemed, converted or purchased and cancelled, the Convertible Bonds will be redeemed at 131.17% of their principal amount on their final redemption date.

On the third anniversary of the issue of the Convertible Bonds, holders of the Convertible Bonds may require the Company to repurchase all or some their Convertible Bonds at their applicable early redemption amount.

Holders of the Convertible Bonds may also require the Company to repurchase all of their Convertible Bonds at their applicable early redemption amount, in any of the following situations:

- (i) change of control of the Company; and

(ii) delisting of the Shares.

(d) Conditions Precedent

The completion of the Bond Offering is conditional upon, *inter alia*, the following conditions precedent being satisfied and fulfilled:-

- (i) the Company and the Investors entering into definitive agreements in respect of the Bond Offering (the “**Bond Definitive Agreements**”);
- (ii) approval in-principle for the listing and quotation of the Subscription Shares and the Conversion Shares (the “**Combined Shares**”) on the Official List of Main Board of the SGX-ST being obtained from the SGX-ST and not revoked or amended and, where such approval is subject to conditions pertaining to and are to be complied with by the Investors, such conditions being reasonably acceptable to the Investors; and
- (iii) the concurrent completion of the Subscription.

**3. SALIENT TERMS OF THE SUBSCRIPTION**

(a) Subscription Shares

Stark Asia and Stark Master propose to subscribe for, and the Company proposes to issue, 10,000,000 ordinary shares in the Company at an aggregate consideration of S\$34,850,000 on the basis of S\$3.485 per Subscription Share.

The Subscription Shares, when issued and fully paid, shall rank *pari passu* in all respects with and carry all rights similar to existing shares of the Company except that they will not rank for any dividend, right, allotment or other distributions (if any), the record date for which falls on or before 31 August 2007.

The Subscription Shares will be issued pursuant to the general mandate to issue shares, in accordance with section 161 of the Companies Act (Chapter 50) of Singapore, obtained by ordinary resolution at the annual general meeting of the Company held on 20 April 2007.

(b) Issue Price

The Issue Price for each Subscription Share is S\$3.485, which is equal to a 6.2% discount to the average of the daily volume-weighted average price for the 10 days immediately prior to and including 20 July 2007.

The volume weighted average price for trades done on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 20 July 2007 and up to the signing of the Agreement was S\$3.7737. The Issue Price represents a discount of approximately 7.65% to the volume weighted average price for trades done on the SGX-ST on 20 July 2007 and up to the signing of the Agreement.

(c) Conditions Precedent

The completion of the Subscription is conditional upon, *inter alia*, the following conditions precedent being satisfied and fulfilled:-

- (i) the approval in-principle for the listing and quotation of the Combined Shares on the Official List of Main Board of the SGX-ST being obtained from the SGX-ST and not revoked or amended and, where such approval is subject to conditions , such conditions being reasonably acceptable to the Investors; and
- (ii) the concurrent completion of the Bond Offering.

#### **4. PURPOSE OF THE CONCURRENT OFFERINGS**

The Company intends to utilise the Net Proceeds for working capital purposes, acquisitions and business expansion. Pending the deployment of the Net Proceeds, such Net Proceeds may be placed as deposits with financial institution or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the directors of the Company may deem fit.

#### **5. CHANGES IN SHARE CAPITAL**

When completed, the Subscription will increase the number of issued shares of the Company as at the date of this announcement from 237,295,525 ordinary shares to 247,295,525 ordinary shares. The aggregate of the Subscription Shares represent approximately 4.21% of the existing issued and paid-up share capital of the Company as at the date of this announcement and 4.04% of the enlarged issued and paid-up share capital of the Company after completion of the Subscription (excluding the Conversion Shares).

Assuming that completion of the Subscription has taken place, the Conversion, when completed, will increase the number of issued shares of the Company as at Completion Date from 247,295,525 ordinary shares to 271,195,525 ordinary shares. The aggregate of the Combined Shares represent approximately 14.29% of the existing issued and paid-up share capital of the Company as at the date of this announcement and 12.50% of the enlarged issued and paid-up share capital of the Company after completion of the Subscription and the Conversion.

The aggregate number of the Subscription Shares and the Conversion Shares arising from the exercise in full of the Convertible Bonds (based on the initial conversion price of S\$4.05 for each Conversion Share and assuming no adjustments to the conversion price) is 33,900,000 Shares, representing approximately 14.29% of the Company's issued share capital of 237,295,525 Shares at the time the general mandate to issue shares and other instruments was obtained by ordinary resolution at the annual general meeting of the Company held on 20 April 2007.

#### **6. LOCKUP ARRANGEMENTS**

Prior to the completion of the Subscription and the Bond Offering, Kris Taenar Wiluan and Pacific One Energy Limited will each enter into a lock up agreement with the Investors under which each of them will undertake, inter alia, not to sell, offer, pledge, encumber or grant any security interest over or contract to sell or grant any option to purchase or otherwise dispose of any shares of the Company or enter into other transactions with a similar effect, without the prior written consent of the Investors, for a period of 180 days from completion.

The Company will also undertake to the Investors that it will not, without the prior written consent of the Investors, for a period of 180 days from completion, issue, offer or contract to sell or grant any option to acquire or otherwise dispose of any shares of the Company or any

securities convertible or exchangeable into or exercisable for Shares, other than the Conversion Shares.

**7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors (other than in his capacity as a director or shareholder of the Company) nor the controlling shareholders of the Company has any interest, direct or indirect, in the Concurrent Offerings.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the Convertible Bond Agreement and the Agreement will be made available for inspection at the registered office of the Company at No. 4 Tuas Avenue 5, Jurong, Singapore 639331, during normal business hours for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD  
Lawrence Kwan  
Company Secretary  
23 July 2007