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* Asterisks denote mandatory information

Name of Announcer *	KS ENERGY SERVICES LIMITED
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Announcement is submitted with respect to *	KS ENERGY SERVICES LIMITED
Announcement is submitted by *	Shirley Lim
Designation *	Company Secretary
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>> Announcement Details

The details of the announcement start here ...

Announcement Title *	PROPOSED ISSUE OF NEW CONVERTIBLE BONDS
Specific shareholder's approval Required? *	No
Description	PLEASE SEE ATTACHED

Attachments

 [Announcement_Proposed_Issue_of_New_Converible_Bonds.pdf](#)
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PROPOSED ISSUE OF NEW CONVERTIBLE BONDS

1. INTRODUCTION

- 1.1 The Board of Directors of KS Energy Services Limited (“**Company**”) wishes to announce that the Company has, on 25 January 2010, entered into a purchase agreement (“**Purchase Agreement**”) with TAEI One Partners Ltd (“**Subscriber**”), acting in its capacity as General Partner of The Asian Entrepreneur Legacy One L.P., for the proposed issue of New Convertible Bonds (as defined below) (“**New Issue**”).
- 1.2 Under the terms of the Purchase Agreement, the Company may issue up to an aggregate of S\$107,000,000 in principal amount of the New Convertible Bonds and the Other Convertible Bonds (as defined below).

The Company has agreed to issue, and the Subscriber has agreed to subscribe for, an aggregate of S\$50,000,000 in principal amount of 3.00 per cent. convertible bonds due 2015 (“**New Convertible Bonds**”) at an issue price of 89.34 per cent. of the principal amount of the New Convertible Bonds. The New Convertible Bonds will be in registered form in the denomination of S\$250,000 each and integral multiples thereof.

The Subscriber has also agreed that the Company may undertake a further issue of convertible bonds in a maximum aggregate principal amount of S\$57,000,000 (“**Other Convertible Bonds**”), provided that if the Company issues any Other Convertible Bonds on or before the date falling four (4) calendar months after the Closing Date (as defined below), the Company undertakes that the initial conversion price of the Shares comprised in the Other Bonds will be greater than or equal to the initial conversion price of the Conversion Shares comprised in the New Convertible Bonds. The Other Convertible Bonds would only be issued if the Company secures any investors to subscribe for the same.

- 1.3 The New Convertible Bonds will be constituted by a trust deed to be executed by the Company and a trustee for the holders of the New Convertible Bonds (“**Trust Deed**”). The terms and conditions of the New Convertible Bonds (“**Conditions**”) will be set out in, and will constitute part of, the Trust Deed.
- 1.4 Each New Convertible Bond will, at the option of the holder of the New Convertible Bond (“**Bondholder**”), be convertible (unless previously redeemed, converted or purchased and cancelled) into fully paid ordinary shares of the Company (“**Shares**”) at an initial conversion price of S\$1.60 per new Share (“**Conversion Share**”). The conversion price is subject to adjustment in the circumstances set out in the Conditions.

2. PRINCIPAL TERMS OF THE NEW CONVERTIBLE BONDS

- 2.1 The principal terms and conditions of the New Convertible Bonds are summarised as follows:

- Issue Size : S\$50,000,000 in principal amount of New Convertible Bonds, subject to the Company's entitlement to issue S\$57,000,000 in principal amount of Other Convertible Bonds such that the aggregate convertible bonds that may be issued by the Company is up to S\$107,000,000 in principal amount.
- Issue Price : 89.34 per cent. of the principal amount of the New Convertible Bonds.
- The Issue Price was determined on the basis of the resulting yield-to-put of the New Convertible Bonds being 7.00 per cent. per annum.
- Settlement and Payment : Subject to fulfillment of the conditions of the Purchase Agreement, settlement and payment for the New Convertible Bonds is expected to take place on the Closing Date or such other date as may be agreed between the Company and the Subscriber.
- Interest : The New Convertible Bonds will bear interest at the rate of 3.00 per cent. per annum, payable semi-annually.
- Yield-to-Put / Maturity : 7.00 per cent. per annum, calculated on a semi-annual basis.
- Conversion Premium : 29 per cent. above the Reference Share Price.
- "Reference Share Price" means S\$1.24, being the volume weighted average price of the Shares traded on the SGX-ST on 25 January 2010.
- Initial Conversion Price : S\$1.60 for each Conversion Share.
- Initial Conversion Ratio : 156,250 Conversion Shares for every S\$250,000 in principal amount of the New Convertible Bonds.
- Anti-dilution Protection : The conversion price will be adjusted in certain circumstances, including declaration of dividend in Shares, subdivisions, consolidations and reclassifications of Shares, issuance of options, rights or warrants and capital distributions.

Conversion Period : The conversion right attaching to any New Convertible Bond may be exercised, at the option of the Bondholder, at any time on or after the stock exchange business day immediately after the earlier of:

- (a) the date on which the proposed schemes of arrangement by the Company to acquire the shares in the issued share capital of each of Aqua-Terra Supply Co., Limited (“**Aqua-Terra**”) and SSH Corporation Ltd (“**SSH**”) pursuant to a court process in Singapore in connection with the consolidation of the oil and gas and marine distribution businesses of the Company and certain of its subsidiaries announced on 8 December 2009 (“**Schemes**”) become effective and binding; or
- (b) the date on which the Schemes are withdrawn or lapse; or
- (c) 1 August 2010,

until the date falling ten (10) days prior to the Maturity Date, subject to customary closed periods.

Mandatory Conversion : The Company may, on or at any time after the date falling three (3) years from the Closing Date, mandatorily convert the New Convertible Bonds in whole but not in part into Conversion Shares on the date fixed for mandatory conversion, provided that no such mandatory conversion may be made unless the volume weighted average price of the Shares for each of the 30 consecutive trading days, the last of which occurs not more than 5 days prior to the date on which notice of conversion is given, was at least 130 per cent. of the then applicable conversion price.

Subject to certain conditions, the Company’s right to mandatorily convert does not affect the Bondholder’s right to exercise its conversion right or any of its optional redemption rights (see below).

Status of the New Convertible Bonds : The New Convertible Bonds constitute senior, direct, unconditional, unsecured and unsubordinated obligations of the Company and will at all times rank *pari passu* without any preference among themselves and with all other present and future unconditional, unsecured and unsubordinated obligations of the Company, other than those preferred by statute or applicable law.

- Status of the Conversion Shares : The Conversion Shares will, when issued and delivered in accordance with the Trust Deed, be fully-paid and freely transferable, free and clear of all liens, encumbrances, security interests or claims of third parties and will not be subject to calls for further funds.
- Cash Settlement Option : The Company shall have the option to satisfy, in full or in part, such number of Conversion Shares otherwise deliverable upon the exercise of a conversion right and in respect of which the Company has elected the cash settlement option (“**Relevant Conversion Shares**”), by payment of cash for an amount which is equal to the product of (i) the number of the Relevant Conversion Shares; and (ii) the volume weighted average price per Relevant Conversion Share for each day during the seven (7) trading days immediately after the date on which the Company provides notice to the relevant Bondholder of the exercise of its cash settlement option.
- Maturity Date : On or about 12 February 2015 (5 years from the Closing Date).
- Redemption on Maturity : Unless previously redeemed, converted or purchased and cancelled, the New Convertible Bonds will be redeemed by the Company at 108.5 per cent. of their principal amount together, with unpaid accrued interest thereon on the Maturity Date.
- Redemption at the Option of the Bondholders : Bondholders may require the Company to redeem such Bondholder’s New Convertible Bonds on or about the date falling three (3) years after the Closing Date, at their principal amount together with unpaid accrued interest thereon.
- Redemption at the Option of the Company : If at any time the aggregate principal amount of the New Convertible Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued, the Company shall have the option to redeem such outstanding New Convertible Bonds in whole but not in part, at either (i) their principal amount, if the date fixed for redemption falls on or before the date falling three (3) years from the Closing Date; or (ii) at the Early Redemption Amount (as defined below) in all other instances, in each case together with any accrued and unpaid interest thereon.
- Redemption for Taxation Reasons : The Company may redeem, in whole but not in part, the New Convertible Bonds, at either (i) their principal amount, if the date fixed for redemption falls on or before the date falling three (3) years from the Closing Date; or (ii) at the Early Redemption Amount in all other instances,

in each case together with any accrued and unpaid interest thereon, if the Company is obliged to gross up for any deduction or withholding for taxes, as a result of any changes in the laws or regulations of Singapore. Bondholders have the right to elect for their New Convertible Bonds not to be redeemed but with no entitlement to additional amounts.

- Redemption for Change of Control or Delisting : In the event of:
- (i) the delisting of the Shares, or the suspension of the Shares for a period of 30 trading days, from the SGX-ST or, if applicable, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in; or
 - (ii) a change in control of the Company,
- the Bondholder will have the right, at such Bondholder's option, to require the Company to redeem such Bondholder's New Convertible Bonds at either (i) their principal amount, if the date fixed for redemption falls on or before the date falling three (3) years from the Closing Date; or (ii) at the Early Redemption Amount in all other instances, in each case together with any accrued and unpaid interest thereon.
- Early Redemption Amount : 7.00 per cent. gross yield per annum, calculated on a semi-annual compounded basis, for each S\$250,000 principal amount of the New Convertible Bonds purchased at the Issue Price on the issue date.
- Listing : Application will be made to list the Conversion Shares (if any) on the Official List of the SGX-ST.
- Governing Law : English law.

3. CONVERSION SHARES

- 3.1 The proposed issue of the New Convertible Bonds and the Conversion Shares is made pursuant to the general mandate for issue of shares and securities given to the directors of the Company at the annual general meeting of the Company held on 28 April 2009 ("**Existing Share Issue Mandate**").
- 3.2 The number of Conversion Shares to be allotted and issued by the Company pursuant to the full conversion of the New Convertible Bonds is approximately 31,250,000 (based on the Issue Size, the Initial Conversion Price and assuming no adjustments to the Initial Conversion Price). The 31,250,000 Conversion Shares represent approximately 9.28 per cent. of the Company's issued share capital of 336,682,535 Shares as at the date of this Announcement, and 8.49 per cent. of the enlarged issued share capital of the Company assuming (i) full conversion of the New Convertible Bonds; and (ii) no further conversion of the Company's existing convertible securities.

4. SUBSCRIBER

- 4.1 The Subscriber is a Cayman Islands exempted company which acts as the General Partner of The Asian Entrepreneur Legacy One L.P. ("**TAEL One**"). TAEL One is in turn a regional investment fund registered in the Cayman Islands.
- 4.2 As at the date of this Announcement, the Subscriber holds a direct stake of approximately 1.60 per cent. of the Company's existing share capital.
- 4.3 The Subscriber is a willing investor in the Company and had entered into the Purchase Agreement purely for financial investment purposes. The Subscriber has had no previous dealings with the Company and neither the Subscriber nor its directors or substantial shareholders have any connection with any director or substantial shareholder of the Company.

5. RATIONALE AND USE OF PROCEEDS

The estimated net proceeds from the New Issue are approximately S\$44,670,000 and the Company intends to use the entire net proceeds from the New Issue to refinance existing debts of the Company. Pending deployment, the net proceeds from the New Issue may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Company deems appropriate.

6. FINANCIAL EFFECTS

The financial effects of the New Issue will be disclosed in a further announcement to be released by the Company.

7. CONDITIONS

The New Issue is conditional upon, *inter alia*:

- (a) the SGX-ST having granted approval in-principle for the listing of the New Conversion Shares issuable upon conversion of the New Convertible Bonds;
- (b) the representations and warranties of the Company contained in the Purchase Agreement being accurate and correct in all material respects as at the Closing Date; and
- (c) each of Pacific One Energy Limited, Rija Holdings Limited, Kris Taenar Wiluan and Richard James Wiluan ("**Promoters**") having executed a lock-up agreement in substantially agreed form on or prior to the Closing Date, pursuant to which the Promoters undertake not to sell any Shares or enter into other transactions with a similar effect for a period commencing from the date of the Purchase Agreement until 60 days from the Closing Date.

8. CLOSING DATE

The closing date of the New Issue is expected to be on or about 12 February 2010 ("**Closing Date**").

9. LOCK-UP AGREEMENT

The Company has undertaken to the Subscriber that, save for the Shares to be issued by the Company pursuant to the Schemes but subject to such issue being of Shares in an amount less than 58,647,311 and save for the Company's obligations to issue Shares under any existing convertible securities, neither the Company nor any of its subsidiaries or other affiliates over which they exercise management or voting control (other than Aqua-Terra and SSH), nor any person acting on its or their behalf will, for a period from the date of the Purchase Agreement until 60 days after the Closing Date, without the prior written consent of the Subscriber, issue, offer, sell, contract to sell, pledge or otherwise dispose of securities issued by the Company, any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, provided that the foregoing restrictions shall not prevent the Company from undertaking the issue of the Other Convertible Bonds.

In relation to Aqua-Terra and SSH, the Company has undertaken to the Subscriber that, for a period commencing from the date of the Purchase Agreement until 60 days after the Closing Date, the Company shall exercise its voting rights in Aqua-Terra to vote against any proposal by Aqua-Terra or SSH (as the case may be) to do any of the foregoing.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors and substantial shareholders of the Company, or any other persons listed in Rule 812(1) of the Listing Manual of the SGX-ST, has an interest, direct or indirect in New Issue.

BY ORDER OF THE BOARD

Shirley Lim
Company Secretary
26 January 2010