

**FSL TRUST MANAGEMENT PTE. LTD.**  
(As Trustee-Manager of First Ship Lease Trust)  
(Company Registration No. 200702265R)  
(Incorporated in Singapore)

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- (I) **PROPOSED ISSUE OF US\$7,250,000 IN AGGREGATE PRINCIPAL AMOUNT OF REDEEMABLE 7% CONVERTIBLE BONDS; AND**
  - (II) **PROPOSED REFINANCING OF THE EXISTING SYNDICATED LOAN**
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## **1. INTRODUCTION**

- 1.1 The Board of Directors (the “**Board**” or “**Directors**”) of FSL Trust Management Pte. Ltd., as trustee-manager of First Ship Lease Trust (“**FSL Trust**”) (the “**Trustee-Manager**”), wishes to announce that it has on 24 April 2018 entered into a bond subscription agreement (the “**Bond Subscription Agreement**”) with VGO Special Situations I (Luxembourg) S.á r.l. (the “**Subscriber**”) under which FSL Trust proposes to issue US\$7,250,000 in aggregate principal amount of redeemable 7% convertible bonds (the “**Bonds**”) to the Subscriber and/or its affiliates (“**Affiliates**”) in accordance with the terms and subject to the conditions of the Bond Subscription Agreement (the “**Bond Issue**”). The Bonds will be issued in a single tranche of an aggregate principal amount of US\$7,250,000 which may be convertible into units in FSL Trust (“**Units**”).
- 1.2 The Bonds and the new Units issued upon the conversion of the Bonds (the “**New Units**”) will not be placed to any of the persons set forth in Rule 812(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”) (the “**SGX-ST**”).

## **2. INFORMATION ON THE SUBSCRIBER**

- 2.1 The Subscriber has represented that it is an investment company fully owned by VGO Special Situations Fund I LP, an institutional investment fund focused on credit and equity investments.
- 2.2 The Subscriber has represented that none of the directors and substantial shareholders of the Subscriber are related to the Trustee-Manager and its directors, shareholders and/or their respective associates.
- 2.3 The Subscriber was identified and introduced to the Trustee-Manager by Prime Marine Corporation, an affiliate of Prime Shareholdings Inc., the controlling unitholder of FSL Trust. The Subscriber has past and ongoing business relationships with Prime Marine Corporation.

## **3. THE BOND ISSUE**

### **3.1 Principal Terms of the Bonds**

The subscription and conversion of the Bonds will be in accordance with the terms of the Bond Subscription Agreement and subject to the terms and conditions of the Bonds (“**Terms and Conditions**”) as set out in the Bond Subscription Agreement.

## 3.2 Principal Terms of the Bond Subscription Agreement

### 3.2.1 Subscription of the Bonds

Pursuant to the terms of the Bond Subscription Agreement, FSL Trust has agreed to issue, and the Subscriber has agreed to subscribe for, or shall procure that its affiliates subscribe for, US\$7,250,000 in aggregate principal amount of the Bonds at an issue price of 100% of the principal amount of the Bonds.

The Bonds will be issued in registered form, will not be listed and will constitute direct, unconditional, unsecured and subordinated (only to the Existing Syndicated Loan (as defined below) and any permitted refinancing thereof) obligations of FSL Trust. The Bonds are convertible into New Units, which when issued, will be fully paid, and will rank *pari passu* with the existing Units.

### 3.2.2 Conditions Precedent

The obligation of the Subscriber to subscribe and/or procure subscription of the Bonds is conditional upon, amongst others, the following conditions (the “**Conditions Precedent**”) being fulfilled (or otherwise waived by the Subscriber if permitted in accordance with the terms of the Bond Subscription Agreement):

- (a) no change in control of FSL Trust has occurred, provided always that the resultant reduction in the percentage of Units held by any substantial unitholders of FSL Trust arising from the issuance of New Units shall not be deemed to be an event of change in control;
- (b) the general mandate for the issuance of Units obtained from the unitholders of FSL Trust at the annual general meeting of FSL Trust held on 28 April 2017 not having been revoked as of the date of completion of the Bond Issuance (the “**Completion Date**”);
- (c) all requisite approvals from the SGX-ST for the listing and quotation of up to 127,491,315 New Units on the Official List of the Main Board of the SGX-ST, including without limitation the issuance of the relevant Listing and Quotation Notice by the SGX-ST, having been obtained and not having been revoked as of the Completion Date;
- (d) all other necessary governmental, regulatory and/or corporate approvals and consents for the transactions contemplated under the Bond Subscription Agreement having been obtained including but not limited to:
  - (i) the approval of the board of directors of the Trustee-Manager being obtained for the entry into the Bond Subscription Agreement and the transactions contemplated under the Bond Subscription Agreement;
  - (ii) the consent of the senior lenders under FSL Trust's existing syndicated loan dated 1 December 2011 (the “**Existing Syndicated Loan**”) for the issuance of the Bonds; and
  - (iii) the grant by the High Court of Singapore of (i) an extension until 30 June 2018 to convene a meeting of the lenders under the Existing Syndicated Loan for the purpose of considering and, if thought fit, approving the scheme

of arrangement; and (ii) an extension of the moratoria previously obtained by, amongst others, the Trustee-Manager under Sections 211B and 211C of the Companies Act, Chapter 50 of Singapore until 30 June 2018 or such longer period until the refinancing of the Existing Syndicated Loan is completed,

in each case having been obtained and not having been revoked as of the Completion Date;

- (e) no injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the issue of the Bonds shall be in effect as of the Completion Date;
- (f) up to and as of the Completion Date, all the warranties of the Trustee-Manager and FSL Trust in the Bond Subscription Agreement being true and correct at, and as if made on, the Completion Date and the Trustee-Manager and FSL Trust shall have performed all of its undertakings or obligations under the Bond Subscription Agreement to be performed on or before the Completion Date;
- (g) no material adverse change or event of default has occurred between the date of the Bond Subscription Agreement and the Completion Date;
- (h) (other than where voluntarily requested by the Trustee-Manager for the purpose of releasing material information in accordance with Rule 1302 of the Listing Manual or arising from a disruption event) there has been no halt or suspension of trading in the Units on the Main Board of the SGX-ST for a period exceeding three (3) consecutive trading days at any time during the three (3) months preceding the Completion Date, there has been no suspension of trading in the Units on the Main Board of the SGX-ST for any period pursuant to Rule 1303 of the Listing Manual, and the Units have not been de-listed from the Official List of the Main Board of the SGX-ST; and
- (i) the Trustee-Manager having paid to the Subscriber all fees, costs and expenses incurred under or pursuant to the Bond Subscription Agreement.

The Conditions Precedent shall be fulfilled (or otherwise waived) on or before the date for the completion of the issuance of the Bonds, which shall be a date agreed between the parties falling not less than ten (10) business days after the fulfillment (or waiver) of the Conditions Precedent, or such other date as the parties may agree in writing (the “**Completion Date**”).

If any of the Conditions Precedent for the Bonds is not satisfied or is not waived by the Subscriber by the date falling thirty (30) business days from the date of the Bond Subscription Agreement, or such other date as the parties may agree in writing (the “**Long Stop Date**”), the Subscriber has the right to fix a new date for completion or terminate the Bond Subscription Agreement.

### 3.2.3 Interest

The Bonds bears interest from the Completion Date at the rate of 7% per annum on the principal amount of the Bonds. Interest is payable half-yearly in arrears and is payable on the last day of each interest period, with the first interest period starting on the Completion Date and ending on 30 September 2018. Interest payments on the Bonds can be paid in cash or capitalized on the last day of each interest period, to be converted into New Units at any time during the Conversion Period (as defined below), at the option of the Subscriber.

### 3.2.4 Maturity Date

Unless previously redeemed, converted or purchased and cancelled as provided in the Terms and Conditions, FSL Trust will on the date falling thirty (30) months after the date of issue of the Bond (the “**Maturity Date**”) redeem the Bonds at a redemption amount, being 100% of the principal amount of the Bond, together with any unpaid accrued interest.

### 3.2.5 Conversion Right

The right of the Subscriber to convert the Bonds into Units may be exercised, at the option of the Subscriber, at any time on and after the date of issue of such Bond up to and including the close of business on the date immediately preceding the Maturity Date (the “**Conversion Period**”).

The Bonds shall be converted into New Units at the conversion price of US\$0.05687 (equivalent to approximately S\$0.07455<sup>(1)</sup>) (“**Conversion Price**”), which represents a 9.10% discount to the volume weighted average price of US\$0.06256 (equivalent to approximately S\$0.082<sup>(1)</sup>) for trades done on the SGX-ST on 18 April 2018, being the last full trading day prior to the date of the Bond Subscription Agreement. The minimum aggregate conversion amount to be converted in any single conversion of Bonds shall be US\$100,000 unless otherwise agreed to by the Trustee-Manager.

The New Units issued upon conversion of the Bonds are freely transferable and shall rank *pari passu* in all respects with all other Units then in issue, but shall not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls prior to the date of their issue, and will be admitted to listing on the Official List of the Main Board of the SGX-ST.

The Conversion Price will be subject to adjustment, in accordance with the Terms and Conditions, upon the occurrence of certain adjustment events, including: (a) consolidation, subdivision or reclassification of the number of issued Units; (b) capitalisation of profits or reserves; (c) capital distributions; (d) rights issues of Units or options over Units; (e) rights issues of other securities; (f) issues of Units at less than the current market price or conversion price; (g) other issues of securities at less than the current market price or conversion price; (h) any modification of rights of conversion attaching to any securities as mentioned in subparagraph (g) above; and (i) issue, sale or distribution of any securities in connection with an offer by or on behalf of FSL Trust pursuant to which offer the unitholders of FSL Trust generally are entitled to participate in arrangements whereby such securities may be acquired by them.

### 3.2.6 Redemption

Pursuant to the Terms and Conditions, the Bonds will or may be redeemed if any of the following events shall occur:

- (a) **Redemption upon Change of Control** : The Subscriber has the option to require FSL Trust to redeem the Bonds by paying the principal amount of the Bonds plus interest accrued at the rate of 7% per annum from the date of issue of such Bonds up till the date of

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<sup>(1)</sup> Based on an exchange rate of S\$1 to US\$0.76289 as at 18 April 2018

redemption in the event of a change of control or, where the Units cease to be listed or admitted to trading on the SGX-ST or halted or suspended for a period exceeding three (3) consecutive trading days (other than where voluntarily requested by FSL Trust for the purposes of releasing material information in accordance with Rule 1302 of the Listing Manual or arising from a disruption event), in each case subject to the payment of the applicable prepayment fee described in sub-paragraph (f) below.

- (b) **Redemption upon Event of Default** : The Subscriber has the option to require FSL Trust to redeem the Bonds by paying the principal amount of the Bonds plus interest accrued at the rate of 7% per annum from the date of issue of such Bonds up till the date of redemption to the Subscriber upon the receipt of a default notice issued by the Subscriber pursuant to the occurrence of an event of default entitling the Subscriber to give notice for such redemption, and subject to the payment of the applicable prepayment fee described in sub-paragraph (f) below.
- (c) **Redemption for Taxation Reasons** : FSL Trust has the option to redeem the Bonds by paying the principal amount of the Bonds plus interest accrued at the rate of 7% per annum from the date of issue of such Bonds up till the date of redemption to the Subscriber if (i) FSL Trust has or will become obliged to pay additional taxes as a result of any change in, or amendment to, the laws or regulations of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the Bond Subscription Agreement; and (ii) such obligation cannot be avoided by FSL Trust taking reasonable measures available to it.
- (d) **Redemption at the option of FSL Trust** : FSL Trust has the option to redeem all or any of the Bonds at any time upon giving the requisite redemption notice by paying the principal amount of the Bonds plus interest accrued at the rate of 7% per annum from the date of issue of such Bonds up till the date of redemption and subject to the payment of the applicable prepayment fee described in sub-paragraph (f) below.
- (e) **Redemption upon Receipt of Notice of Assignment** : FSL Trust has the option to redeem all or any of the Bonds at any time upon the receipt of a notice from the Subscriber of an assignment or transfer of its rights and obligations under the Bond Subscription Agreement to a third party (that is not an affiliate of the Subscriber) by paying the principal amount of the Bonds plus interest accrued at the rate of 7% per annum, and subject to the

payment of the applicable prepayment fee described in sub-paragraph (f) below. FSL Trust shall not however be entitled to redeem the Bonds if an event of default has occurred and is continuing on the date on which the right of redemption is exercised.

- (f) **Prepayment Fee** : If all or any part of the Bonds are redeemed:
- (i) at any time during the period commencing from the Completion Date and ending on the day falling twenty-four (24) months from the Completion Date (the “**Final Make-Whole Date**”), the Issuer shall pay to the Subscriber, on or before the date of such redemption, a prepayment fee equal to the interest which would have become payable on the Bonds during the period from the redemption date to the Maturity Date for the Bonds (in addition to all other sums required to be paid under the Bond Subscription Agreement in connection with such redemption); or
  - (ii) at any time during the period commencing from the day immediately following the Final Make-Whole Date and ending on the day immediately prior to the Maturity Date, the Issuer shall pay to the Subscriber, on or before the date of such redemption, a prepayment fee equal to 5% of the aggregate total principal amount of the Bonds being redeemed (in addition to all other sums required to be paid under the Bond Subscription Agreement in connection with such redemption).

### 3.2.7 Termination

The Bond Subscription Agreement may be terminated by the Subscriber if, amongst others:

- (a) the issue of the Bonds is not completed by the Long-Stop Date;
- (b) there shall have come to the notice of the Subscriber any breach of or any event rendering untrue or incorrect in any material respect, any of the warranties and representations of FSL Trust contained in the Bond Subscription Agreement and/or the Bonds or any failure to perform in any material respect any of the FSL Trust's undertakings or obligations in the Bond Subscription Agreement and/or the Bonds;
- (c) there shall have occurred any material adverse change; or
- (d) an event of default under the Bond Subscription Agreement occurs.

## 4. **MANDATE FOR THE PROPOSED BOND ISSUE**

- 4.1 As at the date of this Announcement, there are a total of 637,456,577 Units in issue. On the assumption that all the Bonds are issued and fully converted into new Units (the “**New Units**”) at the Conversion Price of US\$0.05687 (equivalent to approximately S\$0.07455<sup>(1)</sup>), and

assuming there is no conversion of capitalized interest as described in paragraph 3.2.3 or adjustment to the Conversion Price as described in paragraph 3.2.5, the maximum number of New Units that may be issued by FSL Trust to the Subscriber will be 127,483,735 New Units, representing approximately (i) 20.00% of the total number of Units in issue as of the date of this Announcement; and (ii) 16.67% of the total enlarged number of Units in issue following the issuance of all the New Units.

- 4.2 The unitholders of FSL Trust approved the general mandate for the issuance of Units at the annual general meeting of FSL Trust held on 28 April 2017. As of the date of the approval of the general mandate, there were a total number of 637,456,577 Units in issue, and as at the date of this Announcement, no Units have been issued pursuant to the general mandate. As such, the maximum number of Units that may be issued pursuant to the general mandate (other than on a pro-rata basis) is 127,491,315 Units. The 127,483,735 New Units that can be issued pursuant to the conversion of the Bonds will fall within the limits of the general mandate and such New Units will be issued pursuant to the general mandate.
- 4.3 Any additional New Units to be issued, including as a result of any conversion of capitalized interest as described in paragraph 3.2.3 or adjustment of the Conversion Price as described in paragraph 3.2.5 in excess of 127,491,315 New Units (collectively, the “**Excess New Units**”), may exceed the number of Units that may be issued under the abovementioned general mandate. Accordingly, any Excess New Units will be issued pursuant to any future general mandate approved by unitholders of FSL Trust at the next annual general meeting of FSL Trust or, at the option of the Trustee-Manager, specific approval obtained from the unitholders of FSL Trust.

## 5. RATIONALE FOR THE BONDS ISSUE AND USE OF PROCEEDS

Assuming that the Bonds are fully subscribed, FSL Trust will raise net proceeds of approximately US\$7,032,500 from the Bond Issue (after deducting fees of approximately US\$217,500 incurred by FSL Trust in connection with the Bond Issue) and intends to use the net proceeds as follows:

Use of Proceeds	Allocation (%)
Repayment of the Existing Syndicated Loan	95%
Working Capital	5%

Pending the deployment of the net proceeds from the Bond Issue, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit for the benefit of FSL Trust.

The Trustee-Manager will make periodic announcements on the utilisation of the proceeds of the Bond Issue, as and when the funds from the Bond Issue are disbursed or utilised.

## 6. FINANCIAL EFFECTS OF THE BOND ISSUE

Based on the audited consolidated financial statements of FSL Trust and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2017, for illustrative purposes, the financial effects of the Bond Issue on the Group are set out as follows:

- (a) the net asset value per Unit of the Group as at 31 December 2017, assuming the Bonds Issue had been effected on 31 December 2017 and assuming full conversion

of the Bonds into New Units would have increased from US\$0.2725 to US\$0.2833 per Unit; and

- (b) the loss per Unit of the Group as at 31 December 2017, assuming the Bonds Issue had been effected on 31 December 2017 and assuming full conversion of the Bonds into New Units would have increased from US\$11.59 to US\$11.62 per Unit.

## **7. ADDITIONAL LISTING APPLICATION**

- 7.1 An application will be made to the SGX-ST for the listing of and quotation of up to 127,491,315 New Units to be allotted and issued upon conversion of the Bonds on the Official List of the Main Board of the SGX-ST. The Trustee-Manager will make the necessary announcements once the approval-in-principle for the listing and quotation of such New Units has been obtained from the SGX-ST.
- 7.2 The Bond Issue is undertaken by way of a private placement in accordance with Section 272B of the Securities and Futures Act (Cap. 289 of Singapore). As such, no prospectus or offer information statement will be issued by FSL Trust in connection therewith.

## **8. REFINANCING OF THE EXISTING SYNDICATED LOAN**

Prime Shareholdings Inc. (“**PSI**”), the controlling Unitholder of FSL Trust, and Prime Marine Corporation, an affiliate of PSI, have been actively engaging with the senior lenders under the Existing Syndicated Loan and exploring various options for the restructuring of the Existing Syndicated Loan.

The Trustee-Manager is pleased to announce that it has entered into term sheets with two groups of financiers for the provision of loan facilities to certain subsidiaries of the Trust in the aggregate amounts of US\$40 million and US\$50 million respectively (the “**New Facilities**”) (the “**Proposed Refinancing**”). Subject to definitive documentation being entered into between the parties, the New Facilities will be used to partially refinance the outstanding amount of US\$124.97 million under the Existing Syndicated Loan.

The Trustee-Manager will keep unitholders of FSL Trust updated on any material developments relating to the Proposed Refinancing.

## **9. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS**

Save as disclosed above, none of the Directors and substantial unitholders of FSL Trust has any interest, direct or indirect, in the Bond Issue and the Proposed Refinancing (other than through their respective unitholdings, if any).

## **10. DOCUMENTS FOR INSPECTION**

A copy of the Bond Subscription Agreement is available for inspection during normal business hours at the Trustee-Manager’s registered address at 9 Temasek Boulevard #19-03, Suntec Tower Two, Singapore 038989 for a period of three (3) months from the date of this Announcement.



By Order of the Board  
FSL Trust Management Pte. Ltd.  
(Company registration no. 200702265R)  
as Trustee-Manager of First Ship Lease Trust

Mr. Efstathios Topouzoglou  
Non-Independent Non-Executive Chairman  
24 April 2018