

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

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



**APPENDIX TO THE
NOTICE OF ANNUAL GENERAL MEETING
DATED 10 APRIL 2017 IN RELATION TO THE PROPOSED RENEWAL OF
THE UNIT BUY-BACK MANDATE**

TABLE OF CONTENTS

	Page
1. INTRODUCTION.....	5
2. RATIONALE.....	5
3. AUTHORITY AND LIMITS ON THE UNIT BUY-BACK MANDATE	6
4. STATUS OF PURCHASED UNITS.....	8
5. REPORTING REQUIREMENTS	8
6. SOURCE OF FUNDS	9
7. FINANCIAL EFFECTS	9
8. TAXATION.....	10
9. TAKE-OVER IMPLICATIONS	10
10. UNITS PURCHASED BY THE TRUSTEE-MANAGER.....	13
11. BLACK-OUT PERIODS.....	13
12. DIRECTORS' AND SUBSTANTIAL UNITHOLDERS' INTERESTS	13
13. ACTIONS TO BE TAKEN BY UNITHOLDERS.....	14
14. DIRECTORS' RECOMMENDATION.....	14
15. DIRECTORS' RESPONSIBILITY STATEMENT	14
16. INSPECTION OF DOCUMENTS.....	14
 ANNEX A	
ILLUSTRATION OF FINANCIAL EFFECTS FROM MARKET PURCHASES.....	15
 ANNEX B	
ILLUSTRATION OF FINANCIAL EFFECTS FROM OFF-MARKET PURCHASES.....	16

DEFINITIONS

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

“Business Trusts Act”	:	Business Trusts Act, Chapter 31A of Singapore
“CDP”	:	The Central Depository (Pte) Limited
“Companies Act”	:	Companies Act, Chapter 50 of Singapore
“Directors”	:	Directors of the Trustee-Manager
“First Ship Lease Trust”	:	A business trust constituted on 19 March 2007 under the laws of the Republic of Singapore
“Latest Practicable Date”	:	30 March 2017, being the latest practicable date prior to the printing of this Appendix
“Listing Manual”	:	The listing manual of the SGX-ST, as amended and modified from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Ordinary Resolution”	:	A resolution proposed and passed as such by a majority being greater than 50.0 per cent. or more of the total number of votes cast for or against such resolution at a meeting of Unitholders convened in accordance with the Trust Deed
“Relevant Period”	:	Has the meaning ascribed to it in Paragraph 3(b) of this Appendix
“Securities and Futures Act”	:	Securities and Futures Act, Chapter 289 of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Sponsor”	:	FSL Holdings Pte. Ltd.
“Take-over Code”	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
“Trust Deed”	:	The deed of trust dated 19 March 2007 constituting First Ship Lease Trust, as may be amended and modified from time to time
“Trust Property”	:	Has the meaning ascribed to it in the Business Trusts Act
“Trustee-Manager”	:	FSL Trust Management Pte. Ltd., as trustee-manager of First Ship Lease Trust, and a subsidiary of the Sponsor
“Unit”	:	An undivided interest in First Ship Lease Trust as provided for in the Trust Deed
“Unitholder”	:	The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term “Unitholder” shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose securities account with CDP is credited with Units
“%” or “per cent.”	:	Per centum

- “S\$” : The lawful currency of Singapore
- “US\$” or “US cents” : The lawful currency of the United States of America

The term “**Depositor**” shall have the meaning ascribed to it in Section 81SF of the Securities and Futures Act.

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

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

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Business Trusts Act, the Companies Act or any statutory modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Business Trusts Act, the Companies Act or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Any capitalised terms used in this Appendix which are undefined shall have the same meanings as set out in the Trust Deed.

Any discrepancies in figures included in this Appendix between the amounts listed and the totals thereof are due to rounding.

1. INTRODUCTION

At the annual general meeting of First Ship Lease Trust held on 29 April 2016 (the “**2016 AGM**”), Unitholders had authorised and approved the renewal of an existing mandate which allowed the Trustee-Manager to exercise its powers to procure the purchase of Units for and on behalf of First Ship Lease Trust from time to time without the prior specific approval of Unitholders in a general meeting, and such mandate expires on 27 April 2017, being the date of the forthcoming annual general meeting of First Ship Lease Trust convened to be held on 28 April 2017 (the “**2017 AGM**”).

Accordingly, the Directors are proposing to seek the approval of Unitholders at the forthcoming annual general meeting of First Ship Lease Trust convened to be held on 28 April 2017 (the “**2017 AGM**”) for the renewal of the mandate for the Trustee-Manager to exercise its powers to procure the purchase of Units for and on behalf of First Ship Lease Trust from time to time without the prior specific approval of Unitholders in a general meeting (the “**Unit Buy-Back Mandate**”). The Unit Buy-back Mandate, if renewed, will take effect on the date of the passing of the Ordinary Resolution relating thereto at the 2017 AGM and expire on the date of the next annual general meeting of First Ship Lease Trust convened to be held in 2018 (the “**2018 AGM**”) or the date by which the next annual general meeting of First Ship Lease Trust is required by law or the terms of the Trust Deed to be held, whichever is earlier, or until it is varied or revoked by Unitholders in a general meeting (if so varied or revoked prior to the 2018 AGM).

Approval by way of an Ordinary Resolution is required in respect of the resolution relating to the Unit Buy-Back Mandate.

Important:

Unitholders should note that by voting in favour of the resolution relating to the Unit Buy-Back Mandate, they will be renewing the authority of the Manager to procure the purchase of Units on the terms and conditions set out in paragraphs 2 to 10 of this Appendix and in accordance with all applicable laws and regulations, including but not limited to the provisions of the Trust Deed (as defined herein) and the Listing Manual of the SGX-ST (the “Listing Manual”).

2. RATIONALE

The approval of the Unit Buy-Back Mandate would give the Trustee-Manager the flexibility to undertake Unit buy-backs of up to the 10 per cent. limit described in Paragraph 3(a) below at any time, during the period when the Unit Buy-back Mandate is in force.

The rationale of the Unit Buy-Back Mandate is as follows:

- (a) the Unit Buy-back Mandate, when exercised at appropriate times, will help mitigate short-term market volatility, off-set the effects of short-term speculative trading of the Units and bolster market confidence in the Units; and
- (b) the Unit Buy-back Mandate is a flexible and cost-effective tool of capital management, by which to improve the net asset value per Unit.

While the Unit Buy-back Mandate would authorise Unit buy-backs of up to the said 10 per cent. limit during the Relevant Period (as defined herein), Unitholders should note that Unit buy-backs may not be carried out to the full 10 per cent. limit as authorised and the Unit buy-backs will be made only as and when the Trustee-Manager considers it to be in the best interests of First Ship Lease Trust and/or Unitholders and in circumstances which the Trustee-Manager believes will not result in any material adverse effect on the financial position of First Ship Lease Trust, or result in First Ship Lease Trust being delisted from the SGX-ST. The Trustee-Manager will use its best efforts to ensure that after a purchase of Units pursuant to the Unit Buy-back Mandate, the number of Units remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Units on the SGX-ST.

Rule 723 of the Listing Manual requires First Ship Lease Trust to ensure that at least 10 per cent. of its Units are held by the public (the “**Public Float**”). As at the Latest Practicable Date, the Public Float is approximately 75.18 per cent. and accordingly, the Trustee-Manager is of the view that the orderly trading and the listing status of the Units on the SGX-ST are not likely to be affected by Unitholders’ renewal of the Unit Buy-back Mandate and purchases of Units thereunder.

3. **AUTHORITY AND LIMITS ON THE UNIT BUY-BACK MANDATE**

The authority and limitations placed on purchases of Units by the Trustee-Manager under the Unit Buy-back Mandate, if renewed at the 2017 AGM, are substantially the same as previously approved by Unitholders and are summarised below:

(a) **Maximum Limit**

The total number of Units which may be purchased pursuant to the Unit Buy-back Mandate is limited to that number of Units representing not more than 10 per cent. of the total number of issued Units as at the date of the 2017 AGM when such Unit Buy-back Mandate is renewed by Unitholders.

For illustrative purposes only: on the basis of 637,456,577 Units in issue as at the Latest Practicable Date and assuming no further Units are issued on or prior to the 2017 AGM at which the Unit Buy-back Mandate is renewed and before the expiry of the Relevant Period, not more than 63,745,657 Units (representing 10 per cent. of the issued Units) may be purchased by the Trustee-Manager pursuant to the Unit Buy-back Mandate during the Relevant Period.

(b) **Duration of Authority**

Purchases of Units pursuant to the Unit Buy-Back Mandate may be made during the period commencing from the date on which the 2017 AGM is held and the resolution relating to the Unit Buy-back Mandate is passed, and expiring on:

- (i) the date on which the next annual general meeting of Unitholders is held;
- (ii) the date by which the next annual general meeting of Unitholders is required by law or the terms of the Trust Deed to be held; or
- (iii) the date on which the purchases of Units by the Trustee-Manager pursuant to the Unit Buy-back Mandate are carried out to the full extent mandated,

whichever is the earliest (unless such authority is varied or revoked by First Ship Lease Trust in a general meeting of the Unitholders) (the “**Relevant Period**”).

Under the Trust Deed and the prevailing laws and regulations of Singapore, First Ship Lease Trust is required to convene annual general meetings once in every calendar year and not more than fifteen (15) months after the holding of the last preceding general meeting. Depending on the manner in which First Ship Lease Trust is able to fully carry out the Unit Buy-back Mandate, the Relevant Period may therefore be more than one (1) calendar or financial year.

The authority conferred on the Trustee-Manager by the Unit Buy-back Mandate to purchase Units may be renewed at the next annual general meeting of Unitholders. When seeking the approval of the Unitholders for any subsequent Unit Buy-back Mandate, the Trustee-Manager shall disclose details of each Unit buy-back made during the Relevant Period in respect of the Unit Buy-back Mandate immediately preceding such Unit Buy-back Mandate being sought, including the total number of Units purchased, the purchase price per Unit or the highest and lowest prices paid for such purchases of Units, where relevant, and the total consideration paid for such purchases.

(c) **Manner of Purchase**

Purchases of Units may be made on the SGX-ST (each a “**Market Purchase**”) and/or otherwise than on the SGX-ST in accordance with an equal access scheme (each an “**Off-Market Purchase**”) as defined in Clause 6A of the Trust Deed.

Market Purchases refer to on-market purchases of Units by the Trustee-Manager, transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Trustee-Manager for this purpose in accordance with all applicable laws and regulations, including but not limited to the provisions of the Companies Act, the Business Trusts Act and the Listing Manual, as any of them may for the time being be applicable.

Off-Market Purchases refer to purchases of Units by the Trustee-Manager made under an equal access scheme(s) for the purchase of Units from Unitholders. The Directors may impose such terms and conditions, which are not inconsistent with the Unit Buy-back Mandate and Clause 6A of the Trust Deed, as they consider fit in the interests of First Ship Lease Trust in connection with or in relation to an equal access scheme(s). Under Clause 6A of the Trust Deed, an equal access scheme must satisfy all the following conditions:

- (i) the offers under the scheme are to be made to every person who holds Units to purchase or acquire the same percentage of their Units;
- (ii) all of the above-mentioned persons have a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
 - (1) differences in consideration attributable to the fact that the offers relate to Units with different accrued distribution entitlements;
 - (2) differences in consideration attributable to the fact that the offers relate to Units with different amounts remaining unpaid; and
 - (3) differences in the offers introduced solely to ensure that each Unitholder is left with a whole number of Units.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Trustee-Manager must issue an offer document to all Unitholders which must contain at least the following information:

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed Unit purchase;
- (D) the consequences, if any, of Unit purchases by the Trustee-Manager that will arise under the Take-over Code or other applicable take-over rules;
- (E) whether the Unit purchase, if made, would have any effect on the listing of the Units on the SGX-ST;
- (F) details of any Unit purchases made by the Trustee-Manager in the previous 12 months (whether through Market Purchases or Off-Market Purchases), giving the total number of Units purchased, the purchase price per Unit or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (G) whether the Units purchased will be cancelled or kept in treasury.

(d) Purchase Price

The purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for the Units will be determined by the Directors.

However, the purchase price must not exceed:

- (i) in the case of a Market Purchase, 105 per cent. of the Average Closing Market Price (as defined herein); and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120 per cent. of the Highest Last Dealt Price (as defined herein),

(the “**Maximum Price**”), in either case, excluding related expenses of the purchase.

For the above purposes:

“**Average Closing Market Price**” means the average of the closing market prices of a Unit over the last five (5) Market Days, on which transactions in Units were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period in accordance with Rule 884 of the Listing Manual;

“**Highest Last Dealt Price**” means the highest price transacted for a Unit as recorded on the Market Day on which there were trades in the Units immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

“**day of the making of the offer**” means the day on which the Trustee-Manager announces its intention to make an offer for the purchase of Units from Unitholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Unit and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. STATUS OF PURCHASED UNITS

Under Clause 6A of the Trust Deed, a Unit purchased by way of a Unit buy-back shall be deemed cancelled immediately on purchase (and all rights and privileges attached to the Unit will expire on such cancellation).

5. REPORTING REQUIREMENTS

Rule 886 of the Listing Manual specifies that an issuer shall notify the SGX-ST of all purchases of its shares not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

The notification of any such purchases of Units to the SGX-ST (in the form of an announcement on the SGXNET) shall be in such form and shall include such details as the SGX-ST may prescribe. The Trustee-Manager shall make arrangements with the appointed stockbrokers and/or custodians to ensure that they provide the Trustee-Manager in a timely fashion the necessary information which will enable the Trustee-Manager to make the notifications to the SGX-ST.

In addition, the Trustee-Manager will also make an announcement on the SGXNET at the same time it notifies the SGX-ST of any purchases of Units, that the Directors are satisfied on reasonable grounds that, immediately after the purchase of Units, the Trustee-Manager will be able to fulfill, from the Trust Property, the liabilities of First Ship Lease Trust as these liabilities fall due.

6. SOURCE OF FUNDS

The Trustee-Manager may only apply funds for the purchase of Units as provided in the Trust Deed and in accordance with the applicable laws in Singapore. The Trustee-Manager may not purchase Units for a consideration other than in cash.

The Trustee-Manager intends to use First Ship Lease Trust's internal sources of funds or external borrowings or a combination of both to finance the Trustee-Manager's purchase of Units on behalf of First Ship Lease Trust, pursuant to the Unit Buy-back Mandate.

7. FINANCIAL EFFECTS

It is not possible for the Trustee-Manager to calculate realistically or quantify the impact of purchases of Units that may be made pursuant to the Unit Buy-back Mandate on the net asset value per Unit and distribution per Unit ("**DPU**") as the resultant effect would depend on, *inter alia*, the aggregate number of Units purchased, whether the purchase is made out of capital or profits, the purchase prices paid for such Units and the amount (if any) borrowed to fund the purchases.

First Ship Lease Trust's total number of issued Units will be diminished by the total number of Units purchased by way of a Unit buy-back as such Units will be cancelled.

As with companies governed by the Companies Act, purchases of Units by the Trustee-Manager may be made out of First Ship Lease Trust's capital or profits so long as First Ship Lease Trust is solvent. Where the consideration paid by First Ship Lease Trust for the purchase by way of a Unit buy-back is made out of profits, such consideration (excluding related expenses) will correspondingly reduce the amount available for distribution by First Ship Lease Trust.

The Trustee-Manager does not propose to purchase Units pursuant to the Unit Buy-back Mandate to such an extent that it would have a material adverse effect on the working capital requirements of First Ship Lease Trust. The purchase of Units will only be effected after considering relevant factors such as the working capital requirements, availability of financial resources and the expansion and investment plans of First Ship Lease Trust, as well as prevailing market conditions. Any purchase of Units pursuant to the Unit Buy-back Mandate will be made with a view to enhance the DPU and/or the net asset value per Unit and will only be effected if the Trustee-Manager is satisfied on reasonable grounds that, immediately after the Unit buy-back, the Trustee-Manager will be able to fulfill, from the Trust Property, the liabilities of First Ship Lease Trust as these liabilities fall due.

For illustrative purposes only: the financial effects of a unit buy-back mandate on First Ship Lease Trust are based on the audited financial statements of First Ship Lease Trust for the financial year ended 31 December 2016 ("**FY16 Accounts**") and on the assumptions set out below:

- (a) based on 637,456,577 Units in issue as at the Latest Practicable Date and assuming no further Units are issued on or prior to the 2017 AGM at which the Unit Buy-back Mandate is renewed and before the expiry of the Relevant Period, not more than 63,745,657 Units (representing approximately 10 per cent. of the issued Units) may be purchased by the Trustee-Manager pursuant to the Unit Buy-back Mandate;
- (b) that purchases of Units are made to the extent as aforesaid;
- (c) the Unit Buy-back Mandate had been effective on 1 January 2016;
- (d) no distribution is paid for the financial quarters ended 31 March 2016, 30 June 2016, 30 September 2016 and 31 December 2016;
- (e) the Trustee-Manager had purchased the Units on the last day of the financial year with cash retained as at 31 December 2016;

- (f) Units purchased on the last day of the financial year are included in computing the pro forma financial effects of the financial year; and
- (g) incentive fees, where applicable, are waived.

Assuming that the Trustee-Manager purchases the 63,745,657 Units at the Maximum Price, the maximum amount of funds required is approximately:

- (i) in the case of Market Purchases, US\$6,259,823 based on S\$0.1371 (or US\$0.0982) for each Unit (being 105 per cent. of the Average Closing Market Price of a Unit immediately preceding the Latest Practicable Date); and
- (ii) in the case of an Off-Market Purchase, US\$7,165,012 based on S\$0.1572 (or US\$0.1124 for each Unit (being 120 per cent. of the Highest Last Dealt Price of a Unit immediately preceding the Latest Practicable Date).

Based on the FY16 Accounts, after the requisite deductions of cash amounts earmarked for loan repayment, distribution payments and expenses, the cash resources (including retained cash) available for the Trustee-Manager to undertake any Unit buy-backs is US\$14,873,000. Accordingly, the Trustee-Manager will be able to purchase, for the duration of the Unit Buy-back Mandate, approximately up to:

- (1) 63,745,657 Units, in the case of Market Purchases, representing approximately 10 per cent. of the total number of issued Units as at the Latest Practicable Date; and
- (2) 63,745,657 Units, in the case of Off-Market Purchases, representing approximately 10 per cent. of the total number of issued Units as at the Latest Practicable Date.

On the basis of the above, the financial effects of the purchase of such Units by the Trustee-Manager on the FY16 Accounts would be as set out in **Annexes A and B** of this Appendix.

Unitholders should note that the financial effects set out above and in Annexes A and B of this Appendix are purely for illustrative purposes only. Although the Unit Buy-back Mandate would authorise the Trustee-Manager to purchase up to 10 per cent. of the total number of issued Units, the Trustee-Manager may not necessarily purchase or be able to purchase the entire 10 per cent. of the total number of issued Units at any time while the Unit Buy-back Mandate is in force.

8. TAXATION

Unitholders who are in doubt as to their respective tax positions or the tax implications of Unit purchases by the Trustee-Manager, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

9. TAKE-OVER IMPLICATIONS

The circumstances under which Unitholders and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase of Units by the Trustee-Manager are set out in Appendix 2 of the Take-over Code. The take-over implications which may arise from any purchase by the Trustee-Manager of Units by way of a Unit buy-back are set out below.

(a) Obligation to make a Take-over Offer

If, as a result of any purchase by the Trustee-Manager of the Units, the proportionate interest in the voting rights of a Unitholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Unitholder or a group of Unitholders acting in concert could obtain or consolidate effective control of First Ship Lease Trust and become obliged to make an offer under Rule 14 of the Take-over Code.

(b) Persons Acting in Concert

Applying the Take-over Code to First Ship Lease Trust, to the extent possible, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Units (or otherwise), to obtain or consolidate effective control of First Ship Lease Trust.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

- (i) the following companies:
 - (a) a company (“**A**”);
 - (b) the parent company of (A) (“**B**”);
 - (c) the subsidiaries of (A) (each, “**C**”);
 - (d) the fellow subsidiaries of (A) (each, “**D**”);
 - (e) the associated companies of any of (A), (B), (C), or (D) (each, “**E**”);
 - (f) companies whose associated companies include any of (A), (B), (C), (D) or (E); and
 - (g) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights; and
- (ii) a company with any of its directors (together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts).

For this purpose, a company is an “**associated company**” (as defined in the Take-over Code) of another company if the second company owns or controls at least 20.0% but not more than 50.0% of the voting rights of the first-mentioned company.

(c) Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Unitholders and/or persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Trustee-Manager purchasing Units by way of a Unit buy-back, the voting rights of such Unitholders and/or their concert parties would increase to 30 per cent. or more, or in the event that such Unitholders and/or their concert parties hold between 30 per cent. and 50 per cent. of the voting rights in First Ship Lease Trust, if the voting rights of such Unitholders and/or their concert parties would increase by more than one (1) per cent. in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Unitholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Trustee-Manager purchasing Units by way of a Unit buy-back, the voting rights of such Unitholder would increase to 30 per cent. or more, or, if such Unitholder holds between 30 per cent. and 50 per cent. of the voting rights in First Ship Lease Trust, the voting rights of such Unitholder would increase by more than one (1) per cent. in any period of six (6) months. Such Unitholder need not abstain from voting in respect of the resolution approving the renewal of the Unit Buy-back Mandate.

(d) Voting rights of the Sponsor and its Concert Parties before and after Unit Buy-back and assuming the Full Buy-back

Based on the 637,456,577 issued Units as at the Latest Practicable Date, and assuming that:

- (i) there is no change in the issued Units between the Latest Practicable Date and the date of the 2017 AGM;
- (ii) the Sponsor does not otherwise sell or dispose of its holdings of Units;
- (iii) the Trustee-Manager purchases 63,745,657 Units being the maximum 10 per cent. of the issued Units as at the Latest Practicable Date under the Unit Buy-back Mandate (the “**Full Buy-back**”); and
- (iv) there is no change in the number of Units held or deemed to be held by the Sponsor and parties acting in concert with it (“**Concert Parties**”) as set out in the table below,

the aggregate interest (direct and deemed) in Units of the Sponsor and its Concert Parties as at the date of the 2017 AGM and after the purchase by the Trustee-Manager of 10 per cent. of the issued Units pursuant to the Unit Buy-back Mandate are as follows:

	Direct Interest	Deemed Interest	Total Interest	Before Full Buy-back (%)	After Full Buy-back (%)
Name					
FSL Holdings Pte. Ltd.	154,430,600	3,788,766 ⁽¹⁾	158,219,366	24.82	27.58
FSL Asset Management Pte. Ltd.	–	3,788,766 ⁽²⁾	3,788,766	0.59	0.66
FSL Trust Management Pte. Ltd.	3,788,766	–	3,788,766	0.59	0.66
Godan GMBH	–	158,219,366	158,219,366	24.82	27.58
HSH Nordbank AG	–	158,219,366 ⁽³⁾	158,219,366	24.82	27.58

Notes:

- (1) This deemed interest in First Ship Lease Trust arises through the shareholding interests in the Trustee-Manager owned by FSL Holdings Pte. Ltd. and held through FSL Asset Management Pte. Ltd.
- (2) This deemed interest in First Ship Lease Trust arises through the shareholding interests in the Trustee-Manager held by FSL Asset Management Pte. Ltd.
- (3) Godan GMBH is a wholly-owned subsidiary of HSH Nordbank AG. As a result HSH Nordbank AG is deemed to be interested in all the Units held by FSLH and FSL Trust Management Pte. Ltd. in First Ship Lease Trust.

As a result of the Full Buy-back, the unitholding interest of the Sponsor and its Concert Parties will increase from approximately 24.82 per cent. to approximately 27.58 per cent. of the issued Units.

Save as disclosed above, the Trustee-Manager is not aware of any Director or substantial Unitholder holding between 30 per cent. and 50 per cent. of the voting rights of First Ship Lease Trust or such number of Units which voting rights could increase to 30 per cent. or more of the voting rights in First Ship Lease Trust as the result of purchases of Units by the Trustee-Manager pursuant to the Unit Buy-Back Mandate.

Unitholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any Unit purchases by the Trustee-Manager.

10. UNITS PURCHASED BY THE TRUSTEE-MANAGER

The Trustee-Manager has not made any Unit buy-backs in the 12 months preceding the date of this Appendix.

If passed, the Ordinary Resolution set out in Resolution 5 of the Notice of the 2017 AGM empowers the Trustee-Manager from the date of the 2017 AGM until the date of the subsequent annual general meeting, or the date by which the subsequent annual general meeting is required by law or the Trust Deed to be held, or the date on which the purchases of Units by the Trustee-Manager pursuant to the Unit Buy-back Mandate are carried out to the full extent mandated, whichever is the earliest (unless such authority is varied or revoked by First Ship Lease Trust in a general meeting of the Unitholders), to purchase or acquire up to 10 per cent. of the total number of Units in issue at the time of the 2017 AGM by way of Market Purchases or Off-Market Purchases.

11. BLACK-OUT PERIODS

The Trustee-Manager will not purchase Units for and on behalf of First Ship Lease Trust:

- (i) during the period commencing two weeks before the announcement of First Ship Lease Trust's financial statements for each of the first three quarters of its financial year and one month before the announcement of First Ship Lease Trust's full year financial statements; and
- (ii) at any time after a material price sensitive development has occurred or has been the subject of a decision until such time the price sensitive information has been publicly announced.

12. DIRECTORS' AND SUBSTANTIAL UNITHOLDERS' INTERESTS

Based on the Register of Director's Unitholdings and the notifications of unitholdings received from substantial Unitholders, as at the Latest Practicable Date, the direct and deemed interests and voting rights of the Directors and the substantial Unitholders are as follows:

Name	Direct Interest	%	Deemed Interest	%
Substantial Unitholders				
FSL Holdings Pte. Ltd. ⁽¹⁾	154,430,600	24.23	3,788,766	0.59
Godan GMBH ⁽²⁾	–	–	158,219,366	24.82
HSH Nordbank AG ⁽³⁾	–	–	158,219,366	24.82

Notes:

- (1) FSL Holdings Pte. Ltd. is deemed to be interested in 3,788,766 units held by FSL Trust Management Pte. Ltd.
- (2) Godan GMBH is the sole shareholder of FSL Holdings Pte Ltd. As a result, Godan is deemed to be interested in all the units held by FSL Holdings Pte Ltd ("FSLH") and FSLH's indirect subsidiary, FSL Trust Management Pte. Ltd. in First Ship Lease Trust.
- (3) Godan GMBH is a wholly-owned subsidiary of HSH Nordbank AG. As a result HSH Nordbank AG is deemed to be interested in all the units held by FSLH and FSL Trust Management Pte. Ltd. in First Ship Lease Trust.

Based on the above and save as described in Paragraph 9(d) above, none of the Directors and substantial Unitholders would be obliged, as at the Latest Practicable Date, to make a take-over offer (as described in Paragraph 9(a) above).

13. ACTIONS TO BE TAKEN BY UNITHOLDERS

You will find enclosed in the annual report of First Ship Lease Trust for the financial year ended 31 December 2016 the Notice of the 2017 AGM and a Proxy Form.

If a Unitholder is unable to attend the 2017 AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Trustee-Manager no later than 2.30 p.m. on 26 April 2017 being 48 hours before the time fixed for the 2017 AGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting at the 2017 AGM in person if he so wishes.

14. DIRECTORS' RECOMMENDATION

Having considered the relevant factors, including the rationale for the proposed renewal of the Unit Buy-Back mandate as set out in Paragraph 2 above, the Directors are of the opinion that the proposed renewal of the Unit Buy-back Mandate is in the best interests of First Ship Lease Trust and recommend that Unitholders vote in favour of the Ordinary Resolution set out in Resolution 5 of the Notice of the 2017 AGM.

15. 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 renewal of the Unit Buy-back Mandate, First Ship Lease Trust and its special purpose companies, 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.

16. INSPECTION OF DOCUMENTS

The Trust Deed and the annual report of First Ship Lease Trust for the financial year ended 31 December 2016 may be inspected at the principal place of business of the Trustee-Manager during normal business hours from the date hereof up to and including the date of the 2017 AGM.

ANNEX A

**ILLUSTRATION OF FINANCIAL EFFECTS FROM
MARKET PURCHASES⁽¹⁾**

		Before Unit buy-back via Market Purchase	After Unit buy-back via Market Purchase
As at 31 December 2016		Per audited consolidated financial statements for financial year ended 31 December 2016	Pro forma financial effects on audited consolidated financial statements for financial year ended 31 December 2016
Units in issue and reserve	US\$'000	247,454	241,194
Net assets attributable to Unitholders	US\$'000	247,454	241,194
Net assets	US\$'000	247,454	241,194
Current assets	US\$'000	46,917	40,657
Current liabilities	US\$'000	226,292	226,292
Working capital	US\$'000	(179,375)	(185,635)
Cash and cash equivalents	US\$'000	42,899	36,639
Non-current assets	US\$'000	427,508	427,508
Total borrowings (current)	US\$'000	222,213	222,213
Total borrowings (non-current)	US\$'000	–	–
Derivative financial instruments - net liabilities (current)	US\$'000	(122)	(122)
Derivative financial instruments - net liabilities (non-current)	US\$'000	–	–
No. of Units in issue	'000 Units	637,457	573,711
Weighted average number of Units issued	'000 Units	637,457	637,282
Financial ratio			
Net asset value per Unit	US\$	0.3882	0.4204
Gearing ratio	%	89.8	92.2
Gearing ratio	Number of times	0.90	0.92
Basic Earnings per Unit	US cents	(4.86)	(4.86)
Distribution per Unit	US cents	–	–

Note:

(1) Based on Unit price of S\$0.1371 (or US\$0.0982) and on the basis that 63,745,657 Units are purchased via Market Purchases and all Units purchased are cancelled.

ANNEX B

**ILLUSTRATION OF FINANCIAL EFFECTS FROM
OFF-MARKET PURCHASES⁽¹⁾**

		Before Unit buy-back via Off-Market Purchase	After Unit buy-back via Off-Market Purchase
As at 31 December 2016		Per audited consolidated financial statements for financial year ended 31 December 2016	Pro forma financial effects on audited consolidated financial statements for financial year ended 31 December 2016
Units in issue and reserve	US\$'000	247,454	240,289
Net assets attributable to Unitholders	US\$'000	247,454	240,289
Net assets	US\$'000	247,454	240,289
Current assets	US\$'000	46,917	39,752
Current liabilities	US\$'000	226,292	226,292
Working capital	US\$'000	(179,375)	(186,540)
Cash and cash equivalents	US\$'000	42,899	35,734
Non-current assets	US\$'000	427,508	427,508
Total borrowings (current)	US\$'000	222,313	222,313
Total borrowings (non-current)	US\$'000	–	–
Derivative financial instruments - net liabilities (current)	US\$'000	(122)	(122)
Derivative financial instruments - net liabilities (non-current)	US\$'000	–	–
No. of Units in issue	'000 Units	637,457	573,711
Weighted average number of Units issued	'000 Units	637,457	637,282
Financial ratio			
Net asset value per Unit	US\$	0.3882	0.4188
Gearing ratio	%	89.8	92.5
Gearing ratio	Number of times	0.90	0.93
Basic Earnings per Unit	US cents	(4.86)	(4.86)
Distribution per Unit	US cents	–	–

Note:

(1) Based on Unit price of S\$0.1572 (or US\$0.1124) and on the basis that 63,745,657 Units are purchased via Off-Market Purchases and all Units purchased are cancelled.

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.

