

CIRCULAR DATED 4 APRIL 2019

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

If you have sold or transferred all your units in First Ship Lease Trust (“FSL Trust”), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (“SGX-ST”) assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Circular. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser immediately.

Approval-in-principle has been obtained from the SGX-ST for the listing of and quotation for the New Units (as defined herein). The New Units will be admitted to the Official List of the Main Board of the SGX-ST and official quotation will commence after all conditions imposed by the SGX-ST are satisfied. The approval-in-principle granted by the SGX-ST for the dealing in, listing of and quotation for the New Units is not to be taken as an indication of the merits of the Preferential Offering (as defined herein), the New Units, FSL Trust and/or its subsidiaries.



## **FIRST SHIP LEASE TRUST**

(a business trust constituted on 19 March 2007  
under the laws of the Republic of Singapore)

MANAGED BY

### **FSL TRUST MANAGEMENT PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200702265R)  
(as Trustee-Manager of First Ship Lease Trust)

## **CIRCULAR TO UNITHOLDERS**

in relation to

- (A) **THE PROPOSED NON-RENOUNCEABLE NON-UNDERWRITTEN PREFERENTIAL OFFERING (THE “PREFERENTIAL OFFERING”) OF UP TO 956,184,865 NEW UNITS (THE “NEW UNITS”) IN FSL TRUST AT THE ISSUE PRICE OF S\$0.045 FOR EACH NEW UNIT (THE “ISSUE PRICE”), ON THE BASIS OF THREE (3) NEW UNITS FOR EVERY TWO (2) EXISTING UNITS OF FSL TRUST AS AT THE BOOKS CLOSURE DATE (AS DEFINED HEREIN), FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (B) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT UNITHOLDERS (AS DEFINED HEREIN) TO RECEIVE A MANDATORY GENERAL OFFER FROM THE UNDERTAKING UNITHOLDERS (AS DEFINED HEREIN) FOR ALL THE ISSUED UNITS IN FSL TRUST NOT ALREADY OWNED OR CONTROLLED BY THE UNDERTAKING UNITHOLDERS IN CONNECTION WITH THE PREFERENTIAL OFFERING.**

*Independent Financial Adviser in relation to the Whitewash Resolution*



### **STIRLING COLEMAN CAPITAL LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200105040N)

#### **IMPORTANT DATES AND TIMES:**

- Last date and time for lodgment of Proxy Form : 20 April 2019 at 11.00 a.m.
- Date and time of Extraordinary General Meeting : 22 April 2019 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10.00 a.m. on the same day and at the same place)
- Place of Extraordinary General Meeting : Meeting Room 303 & 304, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

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## DEFINITIONS

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The following definitions apply throughout in this Circular except where the context otherwise requires:

- “Act” or “Companies Act”** : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
- “Adjusted Conversion Price”** : The conversion price at which the Convertible Bonds will be converted into new Units after the applicable adjustments to the Conversion Price (as described in Section 2.3) have been made pursuant to the terms and conditions of the Bond Subscription Agreement with effect from the date of issue of the New Units pursuant to the Preferential Offering
- “Announcement”** : The announcement released by the Trustee-Manager on 26 November 2018 in relation to the Preferential Offering
- “ARE”** : The application and acceptance form for New Units and excess New Units to be issued to Entitled Unitholders in respect of their provisional allotments of New Units under the Preferential Offering
- “ATM”** : Automated teller machine of a Participating Bank
- “Authority”** : The Monetary Authority of Singapore
- “Board of Directors” or “Board”** : The board of Directors of the Trustee-Manager for the time being
- “Bond Subscription Agreement”** : The bond subscription agreement dated 24 April 2018 between FSL Trust and the Bondholder (as amended and supplemented by a supplemental agreement dated 24 May 2018 and a second supplemental agreement dated 26 November 2018)
- “Bondholder”** : VGO Special Situations I (Luxembourg) S.á r.l.
- “Books Closure Date”** : The time and date, to be determined by the Directors, at and on which the Register of Unitholders and Transfer Books of FSL Trust will be closed to determine the provisional allotments of New Units to Entitled Unitholders under the Preferential Offering
- “Borrowers”** : FSL-28, Inc. and FSL-29, Inc., each a wholly-owned subsidiary of FSL Trust
- “Business Day”** : A day (other than a Saturday, Sunday or public holiday) on which banks, the SGX-ST, CDP and the Unit Registrar are open for business in Singapore
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Unitholders dated 4 April 2019
- “Closing Date”** : The time and date to be determined by the Directors, being the last time and date for acceptance and/or excess application and payment, and renunciation and payment of, the New Units under the Preferential Offering
- “Code”** : The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
- “Controlling Interest”** : The interest of Controlling Unitholder(s)

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## DEFINITIONS

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- “Controlling Unitholder”** : A person who:
- (a) holds, directly or indirectly, 15.0% or more of the total number of voting units (excluding treasury units) in FSL Trust. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Unitholder; or
  - (b) in fact exercises control over FSL Trust
- “Conversion Price”** : The conversion price of US\$0.05687 at which the Convertible Bonds will be converted into new Units, subject to the applicable adjustments as described in Section 2.3
- “Convertible Bonds”** : The US\$7,250,000 in aggregate principal amount of redeemable 7% convertible bonds (which may be converted into Units) issued by FSL Trust to the Bondholder on 21 May 2018 pursuant to the Bond Subscription Agreement
- “Current Market Price”** : In respect of a Unit at a particular time on a particular date, the VWAP quoted on the SGX-ST for one Unit for the twenty (20) consecutive Market Days ending on 26 November 2018, being the Market Day immediately preceding the date of the Announcement, provided that if no closing price is reported in respect of the Units on the SGX-ST for one or more consecutive Market Days, such day or days will be disregarded in any relevant calculation and shall be deemed not have existed when ascertaining any period of Market Days
- “Director”** : A director of the Trustee-Manager for the time being
- “EGM”** : The extraordinary general meeting of FSL Trust, notice of which is set out on pages 71 to 73 of this Circular
- “Electronic Application”** : Acceptance of the New Units and (if applicable) application for excess New Units made through an ATM of a Participating Bank in accordance with the terms and conditions of the Information Booklet and the relevant procedures for electronic application at ATMs as set out in the Information Booklet or on the ATM screens
- “Entitled Unitholders”** : Unitholders with Units standing to the credit of their Securities Accounts and whose registered addresses with CDP are in Singapore as at the Books Closure Date or who had, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
- “EPS”** : Earnings per Unit
- “Excess Applications”** : Excess applications by Entitled Unitholders of the New Units in excess of their provisional allotments of New Units

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## DEFINITIONS

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<b>“Excess Subscription Scenario”</b>	:	Based on the Existing Units and assuming that (i) none of the Entitled Unitholders other than the Undertaking Unitholders subscribe and pay for their <i>pro rata</i> entitlements of New Units; (ii) the Undertaking Unitholders subscribe for their <i>pro rata</i> entitlements of 236,816,446 New Units in full and, based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date, 63,516,887 excess New Units pursuant to the Irrevocable Undertaking; and (iii) the Undertaking Unitholders subscribe for an additional 655,851,532 additional excess New Units
<b>“Existing Units”</b>	:	The total number of issued Units in FSL Trust of 637,456,577 Units (excluding treasury Units) as at the Latest Practicable Date
<b>“Foreign Unitholders”</b>	:	Unitholders with registered addresses outside Singapore as at the Books Closure Date and who have not, at least three (3) Market Days prior to the Books Closure Date, provided CDP with addresses in Singapore for the service of notices and documents
<b>“FY”</b>	:	Financial year ended or ending, as the case may be, 31 December, unless otherwise stated
<b>“Group”</b>	:	FSL Trust and its subsidiaries
<b>“IFA”</b>	:	Stirling Coleman Capital Limited, the independent financial advisor to the Independent Directors in respect of the Whitewash Resolution
<b>“IFA Letter”</b>	:	The letter dated 4 April 2019 from the IFA to the Independent Directors in respect of the Whitewash Resolution, a copy of which is set out in <b>Appendix C</b> to this Circular
<b>“Independent Directors”</b>	:	The Directors who are considered independent of the Whitewash Resolution, namely Michael Gray, Michael Oliver and Narayanan Sreenivasan
<b>“Independent Unitholders”</b>	:	Unitholders who are deemed to be independent for the purposes of the Whitewash Resolution, being Unitholders other than the Undertaking Unitholders
<b>“Irrevocable Undertaking”</b>	:	The Irrevocable Undertaking provided by the Undertaking Unitholders, the details of which are set out in Section 2.12 of this Circular
<b>“Information Booklet”</b>	:	The information booklet, together with the ARE, and all accompanying documents including any supplementary or replacement document, to be issued by FSL Trust in connection with the Preferential Offering
<b>“Issue Price”</b>	:	S\$0.045 for each New Unit
<b>“Latest Practicable Date”</b>	:	25 March 2019, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	:	The Listing Manual of the SGX-ST as amended or modified from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“MAS”</b>	:	Monetary Authority of Singapore

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## DEFINITIONS

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<b>“Maximum Subscription Scenario”</b>	:	Based on the Existing Units and assuming that all of the Entitled Unitholders subscribe and pay for their <i>pro rata</i> entitlements of New Units
<b>“Minimum Subscription Scenario”</b>	:	Based on the Existing Units and assuming that (i) none of the Entitled Unitholders other than the Undertaking Unitholders subscribe and pay for their <i>pro rata</i> entitlements of New Units; and (ii) the Undertaking Unitholders subscribe for their <i>pro rata</i> entitlements of 236,816,446 New Units in full and, based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date, 63,516,887 excess New Units pursuant to the Irrevocable Undertaking
<b>“New Units”</b>	:	Up to 956,184,865 new Units to be issued by FSL Trust pursuant to the Preferential Offering
<b>“Newbuilding Acquisition”</b>	:	The construction, sale and delivery of the New Vessels by the Shipyard to the Borrowers, the details of which are set out in Section 2.8 of this Circular
<b>“New Vessels”</b>	:	The two (2) scrubber fitted Tier III LR2 product tankers, Hulls No. N944 and N945
<b>“Notice of EGM”</b>	:	The notice of EGM set out on pages 71 to 73 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“Ordinary Resolution 1”</b>	:	The ordinary resolution to approve the Preferential Offering
<b>“Ordinary Resolution 2”</b>	:	The ordinary resolution to approve the Whitewash Resolution
<b>“Participating Banks”</b>	:	The banks that will be participating in the Preferential Offering by making available their ATMs to Entitled Unitholders for acceptances of the New Units and/or applications for excess New Units
<b>“Preferential Offering”</b>	:	The proposed non-renounceable non-underwritten preferential offering by FSL Trust of up to 956,184,865 New Units at an issue price of S\$0.045 for each New Unit, on the basis of three (3) New Units for every two (2) Units held by Entitled Unitholders as at the Books Closure Date, fractional entitlements to be disregarded
<b>“Proposed Resolutions”</b>	:	Ordinary Resolution 1 and Ordinary Resolution 2
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM enclosed in this Circular
<b>“Purchasers”</b>	:	FSL-28, Inc. and FSL-29, Inc., each a wholly-owned subsidiary of FSL Trust
<b>“Record Date”</b>	:	In relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by FSL Trust) on which Unitholders must be registered with FSL Trust or CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
<b>“Register of Unitholders”</b>	:	A securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)

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## DEFINITIONS

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“ <b>Securities Account</b> ”	: A securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
“ <b>Securities and Futures Act</b> ” or “ <b>SFA</b> ”	: The Securities and Futures Act, Chapter 289 of Singapore, as may be amended, modified or supplemented from time to time
“ <b>SGX-ST</b> ”	: Singapore Exchange Securities Trading Limited
“ <b>Shipyard</b> ”	: Cosco Shipping Heavy Industry (Yangzhou) Co., Ltd.
“ <b>SIC</b> ”	: Securities Industry Council
“ <b>SIC Conditions</b> ”	: Has the same meaning ascribed to it in Section 4.4 of the Circular
“ <b>Sponsor</b> ”	: FSL Holdings Pte. Ltd., the sponsor of FSL Trust
“ <b>Subsidiaries</b> ”	: Has the meaning ascribed to it in Section 5 of the Companies Act and “ <b>Subsidiary</b> ” shall be construed accordingly
“ <b>Substantial Unitholder</b> ”	: A person who has an interest in voting units of FSL Trust the total votes attached to which is not less than 5.0% of the total votes attached to all the voting units in FSL Trust
“ <b>Trustee-Manager</b> ”	: FSL Trust Management Pte. Ltd., as Trustee-Manager of FSL Trust
“ <b>Undertaking Unitholders</b> ”	: The Sponsor and the Trustee-Manager
“ <b>Unit</b> ”	: A unit representing an undivided interest in FSL Trust
“ <b>Unit Registrar</b> ”	: Boardroom Corporate & Advisory Services Pte. Ltd.
“ <b>Unitholders</b> ”	: 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 “ <b>Unitholder</b> ” 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
“ <b>VWAP</b> ”	: Volume weighted average price
“ <b>Whitewash Resolution</b> ”	: The proposed whitewash resolution for the waiver by the Independent Unitholders of their rights to receive a Mandatory Offer from the Undertaking Unitholders for all the issued Units not already owned or controlled by them, as a result of the Undertaking Unitholders’ acquisition of their entitlement of the New Units and in aggregate up to 719,368,419 excess New Units
“ <b>Whitewash Waiver</b> ”	: The waiver which the SIC granted on 25 March 2019 of the requirement for the Undertaking Unitholders to make a Mandatory Offer for FSL Trust under Rule 14 of the Code in the event that the Undertaking Unitholders incur an obligation to do so as a result of their subscription for (i) their pro rata entitlements of New Units in full and (ii) all New Units not taken up by Unitholders other than the Undertaking Unitholders subject to the satisfaction of the SIC Conditions

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## DEFINITIONS

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### **Currencies, Units and Others**

- “%” or “percent”** : Percentage or per centum
- “S\$” or “cents”** : Singapore dollars and cents, respectively, being the lawful currency of the Republic of Singapore
- “US\$” or “US cents”** : American dollars and cents, respectively, being the lawful currency of the United States of America

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to date and time of day in this Circular shall be a reference to Singapore date and time, unless otherwise stated.

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

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## INDICATIVE TIMETABLE OF THE PREFERENTIAL OFFERING

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Books Closure Date for the Preferential Offering	:	15 May 2019 at 5.00 p.m.
Despatch of Instruction Booklet (together with the ARE) to the Eligible Unitholders	:	21 May 2019
Opening date and time for the Preferential Offering	:	21 May 2019 at 9.00 a.m. via ARE (9.00 a.m. for Electronic Applications)
Last Date and time for acceptance, application (if applicable) and payment for provisional allotments of New Units and excess New Units	:	4 June 2019 at 5.00 p.m. (9.30 p.m. for Electronic Applications)
Listing of the New Units pursuant to the Preferential Offering	:	13 June 2019

The above timetable is indicative only and is subject to change. As of the Latest Practicable Date, the Trustee-Manager does not expect the above timetable to be modified. However, the Trustee-Manager may, with the approval of the SGX-ST, modify the above timetable subject to any limitations under any applicable laws. In such an event, the Company will publicly announce the same through a SGXNET announcement at the SGX-ST's website <http://www.sgx.com>.

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## LETTER TO UNITHOLDERS

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### FIRST SHIP LEASE TRUST

(a business trust constituted on 19 March 2007  
under the laws of the Republic of Singapore)

#### Directors of the Trustee-Manager:

Efstathios Topouzoglou (Non-Independent, Non-Executive Chairman)  
Michail Chalkias (Non-Independent, Non-Executive Director)  
Michael Gray (Lead Independent Director)  
Michael Oliver (Independent Director)  
Narayanan Sreenivasan (Independent Director)

#### Registered Office:

9 Temasek Boulevard  
#19-03  
Suntec Tower Two  
Singapore 038989

4 April 2019

Dear Unitholders

- (A) **THE PROPOSED NON-RENOUNCEABLE NON-UNDERWRITTEN PREFERENTIAL OFFERING OF UP TO 956,184,865 NEW UNITS IN FSL TRUST AT THE ISSUE PRICE OF S\$0.045 FOR EACH NEW UNIT, ON THE BASIS OF THREE (3) NEW UNITS FOR EVERY TWO (2) EXISTING UNITS OF FSL TRUST AS AT THE BOOKS CLOSURE DATE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED; AND**
- (B) **THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT UNITHOLDERS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE UNDERTAKING UNITHOLDERS FOR ALL THE ISSUED UNITS IN FSL TRUST NOT ALREADY OWNED OR CONTROLLED BY THE UNDERTAKING UNITHOLDERS IN CONNECTION WITH THE PREFERENTIAL OFFERING.**

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## 1. INTRODUCTION

### 1.1 Preferential Offering

On 26 November 2018, the Trustee-Manager announced that it is undertaking a non-renounceable non-underwritten preferential offering (the “**Preferential Offering**”) of up to 956,184,865 new units in FSL Trust (the “**New Units**”) at an issue price of S\$0.045 for each New Unit, on the basis of three (3) New Units for every two (2) units of FSL Trust (the “**Units**”) held by unitholders of FSL Trust (the “**Unitholders**”) as at the Books Closure Date, fractional entitlements to be disregarded.

### 1.2 Extraordinary General Meeting

The Board is convening the EGM to seek Unitholders’ approval for the following Proposed Resolutions:

- (a) the ordinary resolution to approve the Preferential Offering (“**Ordinary Resolution 1**”); and
- (b) the ordinary resolution to approve the Whitewash Resolution (“**Ordinary Resolution 2**”).

The purpose of this Circular is to provide Unitholders with relevant information relating to the Proposed Resolutions and to seek Unitholders’ approval for the Proposed Resolutions set out in the Notice of EGM.

The SGX-ST assumes no responsibility for the correctness of the statements made or reports contained, or opinions expressed, in this Circular.

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## LETTER TO UNITHOLDERS

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### 1.3 Inter-conditionality

Unitholders should note that:

- (a) the passing of Ordinary Resolution 1 is not conditional on the passing of Ordinary Resolution 2 and this means that FSL Trust may elect to proceed with the Preferential Offering even if Ordinary Resolution 2 is not approved, subject to compliance with the Code; and
- (b) the passing of Ordinary Resolution 2 is conditional on the passing of Ordinary Resolution 1 and this means that in the event that Ordinary Resolution 1 is not approved, Ordinary Resolution 2 will not be passed.

## 2. THE PREFERENTIAL OFFERING

### 2.1 Basis of the Preferential Offering

FSL Trust is offering, on a non-renounceable and non-underwritten basis, up to 956,184,865 New Units at the Issue Price of S\$0.045 per New Unit, on the basis of three (3) New Units for every two (2) Units held by Unitholders as at the Books Closure Date, fractional entitlements to be disregarded.

Entitled Unitholders will be at liberty to accept (in full or in part), or decline, their provisional allotment of New Units and will be eligible to apply for additional New Units in excess of their provisional allotments under the Preferential Offering.

Fractional entitlements to the New Units will be disregarded in arriving at the Entitled Unitholders' provisional allotments of New Units and will, together with the provisional allotments of New Units which are not taken up or allotted for any reason, be aggregated and allotted to satisfy Excess Applications for New Units (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of FSL Trust.

In the allotment of excess New Units, preference will be given to the rounding of odd lots, and the Directors and Substantial Unitholders who have control or influence over FSL Trust in connection with the day-to-day affairs of FSL Trust or the terms of the Preferential Offering, or have representation (direct or through a nominee) on the Board, will rank last in priority for rounding of odd lots and allotment of excess New Units.

FSL Trust will not make any allotment and issue of any excess New Units that will result in a transfer of controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.

The New Units are payable in full upon acceptance and application by Entitled Unitholders. The New Units will, upon issue, rank *pari passu* in all respects with the then existing Units, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the New Units.

Depending on the level of subscription for the New Units, FSL Trust may, if necessary, scale down the subscription for the New Units by any Unitholder, including the Undertaking Unitholders, to:

- (a) avoid placing the relevant Unitholder and parties acting in concert with him in the position of incurring a Mandatory Offer obligation under the Code; or
- (b) avoid the transfer of a controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.

The terms and conditions of the Preferential Offering are subject to such changes as the Directors may deem fit. The final terms and conditions of the Preferential Offering will be set out in the Information Booklet to be despatched to Entitled Unitholders in due course, subject to, *inter alia*, the approval of the Unitholders for the Preferential Offering.

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## LETTER TO UNITHOLDERS

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### 2.2 Size of the Preferential Offering

As at the Latest Practicable Date, the total number of issued Units in FSL Trust (excluding treasury units) is 637,456,577 Units (the “Existing Units”).

(a) Minimum Subscription Scenario

Based on the Existing Units and assuming that:

- (i) none of the Entitled Unitholders subscribe for their *pro rata* entitlements of New Units (other than the Undertaking Unitholders); and
- (ii) the Undertaking Unitholders subscribe for their *pro rata* entitlements of New Units in full and, based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date, 63,516,887 excess New Units pursuant to the Irrevocable Undertaking (as defined in Section 2.12 below),

FSL Trust will issue 300,333,333 New Units under the Preferential Offering.

(b) Maximum Subscription Scenario

Based on the Existing Units and assuming that all of the Entitled Unitholders subscribe for their *pro rata* entitlements of New Units, FSL Trust will issue 956,184,865 New Units under the Preferential Offering.

(c) Excess Subscription Scenario

Based on the Existing Units and assuming that:

- (i) none of the Entitled Unitholders subscribe for their *pro rata* entitlements of New Units (other than the Undertaking Unitholders);
- (ii) the Undertaking Unitholders subscribe for their *pro rata* entitlements of New Units in full and, based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date, 63,516,887 excess New Units pursuant to the Irrevocable Undertaking (as defined in Section 2.12 below); and
- (iii) the Undertaking Unitholders subscribe for an aggregate of up to 655,851,532 additional excess New Units,

FSL Trust will issue 956,184,865 New Units under the Preferential Offering.

**For the avoidance of doubt, the Undertaking Unitholders have only provided undertakings to FSL Trust to subscribe for their *pro rata* entitlement of 236,816,446 New Units and between 63,516,887 to 514,016,887 excess New Units (subject to availability and based on the assumptions set out in Section 2.12). The exact number of excess New Units that the Undertaking Unitholders will subscribe for pursuant to the Irrevocable Undertaking will be determined based on the outstanding amount under the Bridging Loan (which stands at US\$10,000,000 as of the Latest Practicable Date) and the US\$:S\$ exchange rate prevailing as of the subscription date. Please refer to Section 2.12 for further details.**

In the event that the Whitewash Resolution is not approved by Independent Unitholders, and depending on the level of subscription of the New Units, FSL Trust may elect to, if necessary, scale down the subscription for the New Units by the Undertaking Unitholders to avoid placing them in the position of incurring a Mandatory Offer obligation under the Code, as described in Sections 2.1 and 2.4. In such event, the number of New Units and Excess New Units subscribed for by the Undertaking Unitholders may be less than that stated in each of the above subscription scenarios as a result of the scaling down. Please refer to **Appendix B** to this Circular for relevant examples.

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## LETTER TO UNITHOLDERS

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### 2.3 Outstanding Convertible Securities

As at the Latest Practicable Date, FSL Trust does not have any existing warrants or other convertible securities, other than the Convertible Bonds.

The Bondholder has undertaken that it will not convert, sell, transfer or assign any of the Convertible Bonds until the earlier of the date the New Units are allotted and issued pursuant to the Preferential Offering or the date the Preferential Offering is withdrawn. Accordingly, the Bondholder will not be an Entitled Unitholder for the purposes of the Preferential Offering and will not be entitled to subscribe for any New Units under the Preferential Offering.

In accordance with Condition 4.3.4 of the terms and conditions of the Bond Subscription Agreement, the Preferential Offering will result in an adjustment to the Conversion Price. The current Conversion Price is US\$0.05687 (equivalent to approximately S\$0.07455 based on an exchange rate of S\$1 to US\$0.76289 as at 18 April 2018, being the last Market Day prior to the date of the Bond Subscription Agreement) and the Adjusted Conversion Price will be (based on the same exchange rate):

	Minimum Subscription Scenario	Maximum Subscription Scenario or Excess Subscription Scenario
Adjusted Conversion Price	S\$0.06485	S\$0.05644

The adjustment to the Conversion Price derives from the formula under Condition 4.3.4 of the Bond Subscription Agreement as set out below:

$$\text{Adjusted Conversion Price} = \frac{A + B}{A + C}$$

where:

- A : is the aggregate number of Units immediately before the Announcement;
- B : is the number of Units which the aggregate amount (if any) payable for the Units issued by way of rights and for the total number of Units comprised therein would purchase at such Current Market Price; and
- C : is the aggregate number of New Units issued or, as the case may be, comprised in the issue.

The Adjusted Conversion Price will be determined and become effective on the date of issue of the New Units pursuant to the Preferential Offering. The adjustment of the Conversion Price is unaudited. The same has been calculated in accordance with Condition 4.3.4 of the terms and conditions of the Bond Subscription Agreement and does not need to be reviewed or certified by an auditor.

Any additional new Units to be issued as a result of the adjustment of the Conversion Price as described in this Section 2.3 will be issued pursuant to the general mandate to be approved by the Unitholders at the annual general meeting of FSL Trust to be held on 22 April 2019. In the event such general mandate is not approved by Unitholders at the annual general meeting, the Trustee-Manager may seek specific approval for the issuance of the additional new Units from Unitholders.

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## LETTER TO UNITHOLDERS

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### 2.4 Principal Terms of the Preferential Offering

The principal terms of the Preferential Offering are set out below:

- Number of New Units** : Up to 956,184,865 New Units
- Basis of Provisional Allotment** : The Preferential Offering is made on a non-renounceable basis to Entitled Unitholders on the basis of three (3) New Units for every two (2) Units held by Entitled Unitholders as at the Books Closure Date, fractional entitlements to be disregarded.
- Issue Price** : S\$0.045 for each New Unit, payable in full on acceptance and/or application.
- The Issue Price of S\$0.045 for each New Unit represents a discount of approximately 31.8% to the last traded price of S\$0.066 for Units on the SGX-ST on 26 November 2018, being the full Market Day immediately preceding the Announcement on which Units were traded on the SGX-ST.
- Eligibility to participate** : Please refer to Section 2.6 entitled “Eligibility of Unitholders to Participate in the Preferential Offering” of this Circular.
- Restrictions** : **As the Preferential Offering is made on a non-renounceable basis, Entitled Unitholders should note that they will not be able to trade or renounce their provisional allotments of New Units.**
- Status of the New Units** : The New Units are payable in full upon acceptance and application, and when issued, will rank *pari passu* in all respects with the then Existing Units, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the New Units.
- Listing of the New Units** : On 20 March 2019, approval in-principle was obtained from the SGX-ST for, inter alia, the dealing in, listing of and quotation of the New Units on the official list of the SGX-ST, subject to certain conditions, details of which are set out under Section 2.7 of this Circular.
- Acceptance and Excess Application** : Entitled Unitholders will be at liberty to accept (in full or in part) or decline and will be eligible to apply for additional New Units in excess of their provisional allotments under the Preferential Offering.
- Provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy excess applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of FSL Trust.

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## LETTER TO UNITHOLDERS

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In the allotment of excess New Units, preference will be given to the rounding of odd lots, and that Directors and Substantial Unitholders who have control or influence over FSL Trust in connection with the day-to-day affairs of FSL Trust or the terms of the Preferential Offering, or have representation (direct or through a nominee) on the Board of Directors will rank last in priority for the rounding of odd lots and allotment of excess New Units. FSL Trust will not make any allotment and issue of any excess New Units that will result in a transfer of controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.

**Trading of the Units** : Upon the listing and quotation of the New Units on the SGX-ST, the New Units will be traded on the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Units will comprise of 100 Units.

**Scaling Down** : Depending on the level of subscription for the New Units, FSL Trust may, if necessary, scale down the subscription for the New Units by any Unitholder to: (a) avoid placing the relevant Unitholder and parties acting in concert with him in the position of incurring a Mandatory Offer obligation under the Code; or (b) avoid the transfer of a controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.

**Use of SRS Funds** : SRS Investors who wish to accept their provisional allotments of New Units and apply for excess New Units (if applicable) can only do so, subject to applicable SRS rules and regulations as well as terms and conditions that may be imposed by the respective SRS Approved Banks, using monies standing to the credit of their respective SRS accounts.

Such SRS Investors who wish to accept their provisional allotments of New Units and apply for excess New Units (if applicable) using SRS monies must instruct their respective SRS Approved Banks in which they hold their respective SRS accounts, to accept their provisional allotments of New Units and apply for excess New Units (if applicable) on their behalf.

**Governing Law** : Laws of the Republic of Singapore.

### 2.5 Conditions for the Preferential Offering

The Preferential Offering is, subject to, *inter alia*:

- (a) the approval of the Unitholders for the Preferential Offering and the issue of the New Units being obtained at the EGM to be convened;
- (b) the receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the New Units on the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the completion of the Preferential Offering) and if such approval is granted subject to conditions, such conditions being acceptable to FSL Trust;
- (c) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to FSL Trust and/or applicable laws for the Preferential Offering and to give effect to the Preferential Offering being obtained and not having been revoked or amended before the completion of the Preferential Offering.

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## LETTER TO UNITHOLDERS

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### 2.6 Eligibility of Unitholders to Participate in the Preferential Offering

(a) Entitled Unitholders

FSL Trust proposes to provisionally allot the New Units to Entitled Unitholders (which excludes Foreign Unitholders) under the Preferential Offering.

Entitled Unitholders will be provisionally allotted the New Units on the basis of the number of Units standing to the credit of their Securities Accounts with CDP as at the Books Closure Date.

To be Entitled Unitholders, Unitholders must have registered addresses in Singapore with CDP as at the Books Closure Date, or if they have registered addresses outside Singapore, they must provide CDP at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588 with registered addresses in Singapore for the service of notices and documents, not later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date, in order to receive their provisional allotments of New Units. Entitled Unitholders should note that all correspondences and notices will be sent to their last registered addresses with CDP. Entitled Unitholders are reminded that any request to effect any change in address must reach CDP not later than 5.00 p.m. (Singapore time) on the date being three (3) Market Days prior to the Books Closure Date.

Entitled Unitholders will be entitled to participate in the Preferential Offering and to receive the Information Booklet together with the ARE, as the case may be, and other accompanying documents, at their respective Singapore addresses.

Entitled Unitholders who do not receive the Information Booklet or the ARE may obtain them from CDP or the Unit Registrar during the period up to the Closing Date.

Entitled Unitholders will be provisionally allotted the New Units under the Preferential Offering on the basis of their unitholdings as at the Books Closure Date. Entitled Unitholders are at liberty to accept (in full or in part) or decline, and will be eligible to apply for additional New Units in excess of their provisional allotments under the Preferential Offering.

Entitled Unitholders, who wish to accept their provisional allotments of New Units and (if applicable) apply for excess New Units, may only do so through CDP and/or by way of an Electronic Application.

Fractional entitlements to the New Units will be disregarded in arriving at the entitlements of the Entitled Unitholders and will, together with entitlements not allotted or taken up for any reason, be aggregated and used to satisfy applications for excess New Units (if any) or disposed or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of FSL Trust subject to applicable laws and the Listing Manual.

Full details of the Preferential Offering, including an indicative timetable of the key events, will be set out in the Information Booklet to be despatched to Entitled Unitholders in due course, subject to, among others, the Proposed Resolutions being approved by Unitholders at the EGM to be convened.

**All dealings in, and transactions of, the provisional allotments of New Units through the SGX-ST will be effected under the book-entry (scripless) settlement system.**

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## LETTER TO UNITHOLDERS

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(b) Foreign Unitholders

The Information Booklet and its accompanying documents have not been and will not be lodged, registered or filed in any jurisdiction other than in Singapore. The distribution of the Information Booklet and its accompanying documents may be prohibited or restricted (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. For practical reasons and in order to avoid any violation of the securities legislation applicable in countries other than Singapore, the Information Booklet and its accompanying documents will not be despatched to Foreign Unitholders.

Foreign Unitholders will not be entitled to participate in the Preferential Offering. No provisional allotment of New Units will be made to Foreign Unitholders and no purported acceptance thereof or application therefore by Foreign Unitholders will be valid.

The Information Booklet and its accompanying documents will also not be despatched to persons purchasing the provisional allotments of New Units through the book-entry (scripless) settlement system if their registered addresses with CDP are outside Singapore (the “**Foreign Purchasers**”). Foreign Purchasers who wish to accept the provisional allotments of New Units credited to their Securities Accounts should make the necessary arrangements with their Depository Agents or stockbrokers in Singapore.

Foreign Unitholders who wish to be eligible to participate in the Preferential Offering may provide a Singapore address by notifying CDP in writing at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588 (if they have securities accounts with CDP).

**Notwithstanding the above, Entitled Unitholders and any other person having possession of the Information Booklet and its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside Singapore receiving the Information Booklet and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for any New Units unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other legal requirements in those territories.**

**AS THE PREFERENTIAL OFFERING IS MADE ON A NON-RENOUNCEABLE BASIS, ENTITLED UNITHOLDERS SHOULD NOTE THAT THEY WILL NOT BE ABLE TO TRADE OR RENOUNCE THEIR PROVISIONAL ALLOTMENTS OF THE NEW UNITS.**

The procedures for, and the terms and conditions applicable to, the acceptance of the provisional allotments of New Units and the application for excess New Units pursuant to the Preferential Offering, including the different modes of acceptance or excess application and payment, will be set out in the Information Booklet and its accompanying documents to be despatched by FSL Trust to Entitled Unitholders in due course.

### 2.7 Listing and Quotation

On 20 March 2019, approval in-principle was obtained from the SGX-ST for, inter alia, the dealing in, listing of and quotation of up 956,184,865 New Units on the Main Board of the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Unitholders' approval for the Preferential Offering;
- (c) a written undertaking from the Trustee-Manager that it will comply with Rules 704(30), 815 and 1207(20) of the Listing Manual in relation to the use of the proceeds from the Preferential Offering and where proceeds are to be used for working capital purposes, FSL Trust disclose a breakdown with specific details on the use of proceeds for working capital in FSL Trust's announcements on use of proceeds and in the annual report;

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## LETTER TO UNITHOLDERS

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- (d) a written undertaking from the Trustee-Manager that it will comply with Rule 877(10) of the Listing Manual with regards to the allotment of any excess New Units; and
- (e) a written confirmation from the audit committee that monies from the Bridging Loan have been received by FSL Trust.

Unitholders should note that the SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Preferential Offering, the New Units, FSL Trust and/or its subsidiaries.

### 2.8 The Newbuilding Acquisition

FSL-28, Inc. and FSL-29, Inc. (the "**Purchasers**"), each a wholly-owned subsidiary of FSL Trust, each entered into a shipbuilding contract dated 12 December 2018 with COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd. (the "**Shipyard**"). Pursuant to the shipbuilding contracts, the Shipyard will construct, sell and deliver two (2) 114,000 dwt scrubber fitted Tier III LR2 product tankers Hulls No. N944 and N945 (the "**New Vessels**") to the Purchasers (the "**Newbuilding Acquisition**"). The New Vessels are expected to be delivered to the Purchasers in November 2020 and January 2021 respectively.

The aggregate consideration for the New Vessels is US\$97,600,000, of which 40% is payable in four (4) staggered instalments based on the progress of the construction schedule of the New Vessels starting from early 2019 and the balance 60%, is payable in a final lump sum instalment upon the respective expected deliveries of the New Vessels in November 2020 and January 2021.

FSL Trust intends to fund the Newbuilding Acquisition as follows:

- (a) up to US\$31,000,000 by way of the net proceeds of the Preferential Offering;
- (b) up to US\$6,500,000 by way of the net sale proceeds from the sale of the product tanker known as "FSL Hamburg";
- (c) up to US\$14,800,000 by way of the net sale proceeds from the contemplated sales of other ageing vessels from the existing fleet of FSL Trust; and
- (d) the remaining balance by way of a combination of surplus cash flows from operations of the FSL Trust's existing fleet and debt financing to be secured by the Purchasers. It is expected that the debt financing, will be between 50% to 70% of the aggregate consideration for the Newbuilding Acquisition. In accordance with industry practice, this debt financing will only need to be drawn down around late 2020 and early 2021 when the New Vessels are expected to be delivered respectively.

Further details on the Newbuilding Acquisition are contained in FSL Trust's announcements dated 6, 12, 13 and 17 December 2018 and further details on the sale of the product tanker known as "FSL Hamburg" are contained in FSL Trust's announcement dated 18 January 2019.

Please refer to Section 3.6 for the financial effects of the Newbuilding Acquisition.

### 2.9 Set-off Arrangements for Undertaking Unitholders

The Sponsor and the Borrowers entered into a bridging loan agreement dated 7 February 2019 pursuant to which the Sponsor granted a secured, interest-bearing bridging loan of an aggregate principal amount of up to US\$25,000,000 (the "**Bridging Loan**") to the Borrowers for the purposes of partially financing the Newbuilding Acquisition. The Bridging Loan is required to be repaid on the date falling twelve (12) months from the date of drawdown and is secured by way of a share charge in respect of the shares of each Borrower, a guarantee from the Trustee-Manager and assignments of each shipbuilding contract, in each case in favor of the Sponsor.

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## LETTER TO UNITHOLDERS

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The interest on the Bridging Loan is LIBOR plus 4.0% per annum to be paid in 12-month intervals (or any other period agreed between the parties) to be calculated on the amounts drawn from the date of such drawdown. Based on LIBOR of 2.98575%, the annual interest payable on the Bridging Loan is approximately US\$1.75 million, assuming that (a) there is a full drawdown of the US\$25,000,000 available under the Bridging Loan, (b) the Bridging Loan is repaid on maturity and (c) no prepayments of the Bridging Loan are made. Similarly, based on LIBOR of 2.98575%, the annual interest payable on the Bridging Loan is approximately US\$0.70 million, assuming that (a) there is no drawdown additional to the current outstanding of US\$10,000,000 under the Bridging Loan, (b) the Bridging Loan is repaid on maturity and (c) no prepayments of the Bridging Loan are made.

Further details on the Bridging Loan are contained in FSL Trust's announcement dated 8 February 2019.

As of the Latest Practicable Date, the Borrowers have drawn down an aggregate amount of US\$10,000,000 on the Bridging Loan, of which US\$9,760,000 was applied towards the partial payment of the aggregate consideration for the Newbuilding Acquisition and the remaining US\$240,000 was retained as working capital.

Pursuant to the set-off agreement dated 29 March 2019 between the Sponsor, FSL Trust and the Purchasers, the parties have agreed that the Sponsor shall be entitled, prior to or at the closing of the Preferential Offering and at its sole discretion, to apply and set off the amounts outstanding under the Bridging Loan against the subscription monies otherwise payable by the Undertaking Unitholders to FSL Trust in respect of their subscription of the New Units and excess New Units pursuant to the Irrevocable Undertaking using a US\$ to S\$ exchange rate as of the subscription date. As of the Latest Practicable Date, the amount outstanding under the Bridging Loan is US\$10,000,000 and there is currently no intention by the Borrowers to effect an early prepayment of the Bridging Loan before the subscription date.

In the event that the Whitewash Resolution is not approved by the Independent Unitholders at the EGM and FSL Trust scales down the subscription for the New Units by the Undertaking Unitholders to avoid placing the Undertaking Unitholders and parties acting in concert with them in the position of incurring a Mandatory Offer obligation under the Code and/or the Preferential Offering is not completed, FSL Trust will seek alternative sources for the repayment of the Bridging Loan on the maturity date which may include operating cash flows and/or sale proceeds from sales of other ageing vessels from its existing fleet.

### **2.10 Rationale of Preferential Offering and Use of Proceeds**

The Trustee-Manager is of the view that the Preferential Offering will provide Unitholders with the following benefits:

- (a) the Preferential Offering will strengthen the financial position and capital base of FSL Trust, enhancing its financial flexibility to renew its ageing fleet, therefore reducing the age profile and enhancing its commercial attractiveness and marketability;
- (b) the Preferential Offering will increase FSL Trust's market capitalization, potentially improving the trading liquidity of the Units after the Preferential Offering; and
- (c) the Preferential Offering will provide the Unitholders with an opportunity to further participate in the equity of FSL Trust.

The intention underpinning the Preferential Offering being made on a non-renounceable basis is to provide an equitable opportunity only for existing Unitholders to participate in any potential future upside of FSL Trust by allowing them to take up New Units at a discount to market price.

## LETTER TO UNITHOLDERS

The amount of gross proceeds and net proceeds arising from the Preferential Offering under each of the subscription scenarios are as follows:

Subscription Scenario	Gross Proceeds	Estimated Expenses	Net Proceeds
Maximum Subscription Scenario or Excess Subscription Scenario	S\$43.03 million	S\$0.5 million	S\$42.53 million <sup>(1)</sup>
Minimum Subscription Scenario	S\$13.52 million	S\$0.5 million	S\$13.02 million <sup>(1)</sup>

**Note:**

- (1) FSL Trust may not be receiving any cash proceeds from the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of their subscription of New Units and excess New Units pursuant to the Irrevocable Undertaking as such subscription monies will be set-off against the amounts outstanding under the Bridging Loan as detailed in Section 2.9 of this Circular.

FSL Trust intends to use the net proceeds arising from the issuance of the New Units as set out below:

Based on the Maximum Subscription Scenario or Excess Subscription Scenario		
Use of Proceeds	Amount of Net Proceeds (\$ million)	Percentage of Net Proceeds
Full repayment of the amounts outstanding under the Bridging Loan	13.52 to 33.79 <sup>(1)</sup>	32% to 79%
Fleet Renewal by way of the Newbuilding Acquisition	29.01 to 8.74	68% to 21%
<b>Total</b>	<b>42.53</b>	<b>100%</b>

**Note:**

- (1) FSL Trust may not be receiving any cash proceeds from the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of their of its subscription of New Units and excess New Units pursuant to the Irrevocable Undertaking as such subscription monies will be set-off against the amounts outstanding under the Bridging Loan as detailed in Section 2.9 of this Circular.

Based on the Minimum Subscription Scenario		
Use of Proceeds	Amount of Net Proceeds (\$ million)	Percentage of Net Proceeds
Full repayment of the amounts outstanding under the Bridging Loan	13.02 <sup>(1)</sup>	100%
<b>Total</b>	<b>13.02</b>	<b>100%</b>

**Note:**

- (1) FSL Trust may not be receiving any cash proceeds from the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of their subscription of New Units and excess New Units pursuant to the Irrevocable Undertaking as such subscription monies will be set-off against the amounts outstanding under the Bridging Loan as detailed in Section 2.9 of this Circular.

Pending the deployment of the net proceeds raised from the Preferential Offering, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of FSL Trust.

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## LETTER TO UNITHOLDERS

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As and when there is any significant disbursement of the proceeds raised from the Preferential Offering, the Trustee-Manager will make the necessary announcements on SGXNET and subsequently provide a status report on the use of such proceeds in the annual report. Where the proceeds have been used for working capital purposes, the Trustee-Manager will provide a breakdown with details on how the proceeds have been applied in the announcements and the annual report. Where there is any material deviation from the stated use of proceeds, the Trustee-Manager will announce the reason(s) for such deviation.

As at the Latest Practicable Date, the Directors are of the unanimous opinion that barring any unforeseen circumstances:

- (a) the Group is not currently under pressure from its bankers to repay any of its existing borrowings and there are currently no arrangements made or being made for the refinancing of the Group's borrowings;
- (b) after taking into account the Group's present bank facilities (including the Bridging Loan), internal resources, operating cash flows and net proceeds of the Preferential Offering, the Group is expected to have sufficient resources to meet its present capital commitments, save in respect of the final instalment of the consideration for the Newbuilding Acquisition, which is payable upon the deliveries of the New Vessels expected in late 2020 and early 2021. In accordance with industry practice, the Directors are of the unanimous opinion that the Group will be able to secure additional financing closer to the relevant payment dates; and
- (c) after taking into consideration the Group's present bank facilities (including the Bridging Loan), internal resources, operating cash flows and net proceeds of the Preferential Offering, the working capital available to the Group is sufficient to meet its present needs.

### **2.11 Underwriting**

In view of the Irrevocable Undertaking and taking into consideration the costs of engaging an underwriter and having to pay commission in relation to the underwriting, FSL Trust has decided to proceed with the Preferential Offering on a non-underwritten basis. In the reasonable opinion of the Directors, there is no minimum amount which must be raised from the Preferential Offering in view of the Irrevocable Undertaking.

### **2.12 Irrevocable Undertaking**

As of the Latest Practicable Date, the Sponsor holds 154,430,600 Units, representing approximately 24.23% of the Existing Units, while the Trustee-Manager holds 3,447,031 Units, representing approximately 0.54% of the Existing Units. The Sponsor and the Trustee-Manager (an indirect wholly-owned subsidiary of the Sponsor) together hold an aggregate of 157,877,631 Units, representing approximately 24.77% of the Existing Units.

To demonstrate their support for the Preferential Offering and their commitment to FSL Trust, the Undertaking Unitholders intend to subscribe for (i) their pro rata entitlement of New Units under the Preferential Offering and (ii) such number of excess New Units under the Preferential Offering, such that the total subscription monies payable by them for the New Units and Excess New Units under the Preferential Offering will be equal to the amount outstanding under the Bridging Loan as of the subscription date. Pursuant to the set-off arrangement as described in Section 2.9, the amounts owing under the Bridging Loan as of the subscription date will then be set off against the subscription monies otherwise payable by the Undertaking Unitholders for their subscription of the New Units and excess New Units under the Preferential Offering.

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## LETTER TO UNITHOLDERS

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In the above connection, the Undertaking Unitholders have provided an irrevocable undertaking dated 26 November 2018 to FSL Trust (as amended and restated by a supplemental letter, the “**Irrevocable Undertaking**”) that, amongst others:

- (a) by the Closing Date, they will subscribe and pay for all their entitlement of
  - (i) an aggregate of 236,816,446 New Units; and
  - (ii) subject to availability, up to such number of excess New Units as would result from the application of the following formula on the subscription date:

$$\text{Number of excess New Units} = \frac{A - B}{C}$$

- (b) will not sell, transfer or otherwise deal with any of the 157,877,631 Units that they own or control as at the date of the Irrevocable Undertaking, during the period between the date of the Irrevocable Undertaking and the date of issue of the New Units or the date the Preferential Offering is withdrawn; and
- (c) they will vote in favour of the Preferential Offering at the EGM (other than in respect of the Whitewash Resolution).

For the purposes of Section 2.12(a):

“**A**” means the amount outstanding under the Bridging Loan Agreement as of the subscription date calculated in S\$, based on the US\$ to S\$ exchange rate prevailing on the subscription date;

“**B**” means the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of its subscription of the New Units pursuant to paragraph 2.11(a)(i) above; and

“**C**” means the Issue Price.

The subscription monies payable by the Undertaking Unitholders in respect of their subscription of 236,816,446 New Units, being their *pro rata* entitlements, will be S\$10,656,740. For illustrative purposes only and applying the above formula:

- (a) assuming that:
  - (i) there are no further draw downs on the Bridging Loan and no repayment has been made under the Bridging Loan prior to the subscription date; and
  - (ii) the exchange rate on the subscription date is US\$1:S\$1.3515,

the outstanding amount under the Bridging Loan as of the subscription date will be US\$10,000,000 and the Undertaking Unitholders will subscribe for an aggregate of 300,333,333 New Units, comprising their *pro rata* entitlement of 236,816,446 New Units and 63,516,887 excess New Units, subject to availability, pursuant to the Irrevocable Undertaking; and

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## LETTER TO UNITHOLDERS

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- (b) assuming that:
- (i) the Bridging Loan is fully drawn down and no repayment has been made under the Bridging Loan prior to the subscription date; and
  - (ii) the exchange rate on the subscription date is US\$1:S\$1.3515,

the outstanding amount under the Bridging Loan as of the subscription date will be US\$25,000,000 and the Undertaking Unitholders will subscribe for an aggregate of 750,833,333 New Units, comprising their *pro rata* entitlement of 236,816,446 New Units and 514,016,887 excess New Units, subject to availability, pursuant to the Irrevocable Undertaking.

The exact number of excess New Units that the Undertaking Unitholders will subscribe for pursuant to the Irrevocable Undertaking will be determined based on the outstanding amount under the Bridging Loan (which stands at US\$10,000,000 as of the Latest Practicable Date) and the US\$:S\$ exchange rate prevailing as of the subscription date.

The Irrevocable Undertaking is subject to and conditional upon:

- (i) the receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the New Units on the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the completion of the Preferential Offering) and if such approval is granted subject to conditions, such conditions being acceptable to FSL Trust;
- (ii) the approval of the Unitholders for the Preferential Offering and the issue of the New Units being obtained at the EGM to be convened;
- (iii) the approval of the Independent Unitholders for the Whitewash Resolution being obtained at the EGM to be convened;
- (iv) the Whitewash Waiver being granted by the SIC; and
- (v) all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to FSL Trust and/or applicable laws for the Preferential Offering and to give effect to the Preferential Offering being obtained and not having been revoked or amended before the completion of the Preferential Offering.

Apart from the Irrevocable Undertaking to subscribe for New Units and excess New Units, the Undertaking Unitholders intend to, subject to availability, subscribe for all the balance available excess New Units in order to raise additional proceeds for FSL Trust. For illustrative purposes only, assuming the Minimum Subscription Scenario and that the Undertaking Unitholders subscribe for all the excess New Units available under the Minimum Subscription Scenario, the Undertaking Unitholders intend to, subject to availability, subscribe for up to 655,851,532 excess New Units.

**For the avoidance of doubt, the Undertaking Unitholders have only provided undertakings to FSL Trust to subscribe for, subject to availability, between 63,516,887 to 514,016,887 excess New Units (subject to availability and based on the assumptions set out in this Section). The exact number of excess New Units that the Undertaking Unitholders will subscribe for pursuant to the Irrevocable Undertaking will be determined based on the outstanding amount under the Bridging Loan and the US\$:S\$ exchange rate prevailing as of the subscription date.**

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## LETTER TO UNITHOLDERS

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Please refer to **Appendix B** to this Circular for the dilution effect to the unitholdings of existing Unitholders as a result of the Undertaking Unitholders fulfilling their obligations under the Irrevocable Undertaking.

The Undertaking Unitholders have not furnished confirmations of their financial resources from a financial institution to FSL Trust pursuant to the Irrevocable Undertaking as any subscription monies payable by the Undertaking Unitholders in respect of the New Units and excess New Units which they have undertaken to subscribe for pursuant to the Irrevocable Undertaking will be subject to the set-off arrangement detailed in Section 2.9 and set-off against the amounts outstanding under the Bridging Loan.

### **2.13 Review of Past Performance**

The profit and loss statements, the cash flow statements, the balance sheets and the working capital position of the Group for the last three (3) financial years ended 31 December 2016, 2017 and 2018 are set out in **Appendix A** to this Circular.

### **2.14 Books Closure Date**

Subject to approval of the Preferential Offering by Unitholders at the EGM, the Books Closure Date for the purpose of determining the Entitled Unitholders' entitlements under the Preferential Offering will be announced at a later date.

## **3. FINANCIAL EFFECTS OF THE PREFERENTIAL OFFERING**

### **3.1 Assumptions**

The financial effects of the Preferential Offering under the Minimum Subscription Scenario, the Maximum Subscription Scenario and the Excess Subscription Scenario as presented herein:

- (a) are only presented for illustration purposes and are not a projection of the actual future financial performance or financial position of the Group after completion of the Preferential Offering;
- (b) are based on the audited consolidated financial statements of the Group for FY2018;
- (c) assume that all the New Units have been issued;
- (d) assume that the Preferential Offering were completed on 31 December 2018 for the purposes of computing the financial effects on the capital (units in issue), NTA and gearing;
- (e) assume that the Preferential Offering and Newbuilding Acquisition were completed on 1 January 2018 for the purposes of computing the financial effects on the EPS, and;
- (f) are based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date.

## LETTER TO UNITHOLDERS

### 3.2 Net Tangible Assets

The effects on the consolidated NTA of the Group for FY2018 will be as follows:

As at 31 December 2018

	Based on Existing Units as at the Latest Practicable Date	
	Minimum Subscription Scenario	Maximum Subscription Scenario or Excess Subscription Scenario
NTA as at 31 December 2018 (US\$'000)	155,262	155,262
Number of Units before the issue of the New Units (000's)	637,457	637,457
NTA per Unit before the issue of the New Units (US\$)	0.244	0.244
<b>After the issue of the New Units</b>		
Add: Net proceeds from the issue of the New Units (US\$'000)	9,634	31,469
NTA after the issue of the New Units (US\$'000)	164,896	186,731
Number of Units after the issue of the New Units (000's)	937,790	1,593,641
NTA per Unit after the issue of the New Units (US\$)	0.176	0.117

**Notes:**

- (1) The NTA as at 31 December 2018 is derived from the audited financial statements as at 31 December 2018, which are set out in Appendix A to this Circular. The NTA is based on the net book value of the Group's vessels as at 31 December 2018, which amounts to US\$236.5 million (including the product tanker known as "FSL Hamburg" which is classified as held-for-sale).

### 3.3 Loss per Unit

The effects on the consolidated EPS of the Group for FY2018 will be as follows:

FY2018

	Based on Existing Units as at the Latest Practicable Date	
	Minimum Subscription Scenario	Maximum Subscription Scenario or Excess Subscription Scenario
Net loss attributable to the owners of FSL Trust (US\$'000)	(18,986)	(18,986)
Number of Units before the Preferential Offering (000's)	637,457	637,457
Number of Units after the issue of the New Units	937,790	1,593,641
Loss per Unit before the issue of the New Units (US cents)	(0.030)	(0.030)
Loss per Unit after the issue of the New Units (US cents)	(0.020)	(0.012)

## LETTER TO UNITHOLDERS

### 3.4 Capital (Units in Issue)

The effects on the issued units of FSL Trust will be as follows:

	Minimum Subscription Scenario		Maximum Subscription Scenario or Excess Subscription Scenario	
	Number of Units (000's)	Units in Issue (US\$'000)	Number of Units (000's)	Units in Issue (US\$'000)
As at 31 December 2018	637,457	523,284	637,457	523,284
Existing Units as at the Latest Practicable Date	637,457	523,284	637,457	523,284
Add: New Units to be issued	300,333	10,000	956,185	31,837
Enlarged Capital after the New Units are issued	937,790	533,284	1,593,641	555,121

### 3.5 Gearing

As at 31 December 2018

	Based on Existing Units as at the Latest Practicable Date	
	Minimum Subscription Scenario	Maximum Subscription Scenario or Excess Subscription Scenario
Before the Preferential Offering (including the Convertible Bond)	40.0%	40.0%
Before the Preferential Offering (excluding the Convertible Bond)	38.5%	38.5%
After the issue of the New Units (including the Convertible Bond)	38.5%	35.6%
After the issue of the New Units (excluding the Convertible Bond)	37.0%	34.2%

Gearing is calculated as outstanding debt divided by the sum of outstanding debt and total equity attributable to the Unitholders. Outstanding debt includes the short-term and long-term portions of the secured bank loans, as well as the Convertible Bonds where indicated. Outstanding debt derives from the Group's consolidated statement of financial position as at 31 December 2018 and therefore does not take into account (i) the new debt financing that will be required to be secured by the Purchasers around late 2020 and early 2021 as described in Section 2.8; and (ii) the scheduled repayments of the existing outstanding debt up to such dates.

### 3.6 Financial Effects of the Newbuilding Acquisition on Gearing

As described in Section 2.8 of this Circular, the New Vessels are expected to be delivered in November 2020 and January 2021 respectively, by which time the Purchasers will be required to secure new debt financing for the payment of the final lump sum instalment, being 60% of the aggregate consideration for the New Vessels.

The pro forma gearing ratios reflected below are only presented for illustration purposes to show how the same is affected solely by the Newbuilding Acquisition and the Preferential Offering and are not a projection of the actual future financial performance or financial position of the Group after completion of the Newbuilding Acquisition or the Preferential Offering. They are not provided as a projection of the gearing as of 31 December 2020 and are based on the following assumptions:

- (a) the Preferential Offering is fully subscribed, all 956,184,865 New Units have been issued, and net proceeds of up to US\$31,000,000 have been raised from the Preferential Offering;

## LETTER TO UNITHOLDERS

- (b) the construction of both the New Vessels will be completed by 31 December 2020;
- (c) the Convertible Bonds will not be converted and will be repaid at maturity on 20 November 2020;
- (d) are based on the scheduled principal instalments under FSL Trust's existing bank loans;
- (e) existing debt and Convertible Bonds repayment outflows between 31 December 2018 and 31 December 2020 will be covered by cash inflows from FSL Trust's existing fleet of vessels over the same period;
- (f) are based on the scheduled depreciation relating to the book values of FSL Trust's existing fleet of vessels; and
- (g) are based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date.

### Gearing

	<b>Before the Newbuilding Acquisition and the issue of New Units under the Preferential Offering</b>	<b>After the Newbuilding Acquisition and the issue of New Units under the Preferential Offering <sup>(2)</sup></b>	<b>After the Newbuilding Acquisition and the issue of New Units under the Preferential Offering <sup>(3)</sup></b>
	<b>31/12/2018 Audited<sup>(1)</sup></b>	<b>31/12/2020 Pro forma</b>	<b>31/12/2020 Pro forma</b>
Gearing ratio	<b>40.0%</b>	<b>33.9%</b>	<b>26.9%</b>

#### Notes:

- (1) Based on the audited consolidated financial statements of the Group for FY2018.
- (2) Assumes that (i) net proceeds of up to US\$6,500,000 are raised from the sale of the product tanker known as "FSL Hamburg" and (ii) there are no further sale of vessels from FSL Trust's existing fleet, which, together with the assumed US\$31,000,000 net proceeds from the Preferential Offering, result to a total of US\$37,500,000. The balance US\$60,100,000, mainly relating to the final lump sum instalment, is assumed to be financed by new debt.
- (3) Assumes that (i) net proceeds of up to US\$6,500,000 are raised from the sale of the product tanker known as "FSL Hamburg" and (ii) net proceeds of US\$14,800,000 are raised from the contemplated sale of ageing vessels from FSL Trust's existing fleet, which, together with the assumed US\$31,000,000 net proceeds from the Preferential Offering, result to a total of US\$52,300,000. The balance US\$45,300,000, relating to part of the final lump sum instalment, is assumed to be financed by new debt.

Gearing is calculated as outstanding debt divided by the sum of outstanding debt and total equity attributable to the Unitholders. Outstanding debt includes the short-term and long-term portions of the secured bank loans, as well as the Convertible Bonds.

As confirmed in Section 8 of this Circular, the Directors are of the unanimous opinion that the operating cash flows from FSL Trust's existing fleet of vessels between 31 December 2018 and 31 December 2020 will be sufficient to service the outstanding debt obligations of FSL Trust, including the Convertible Bonds, over the same period. Accordingly, for the purposes of the above pro forma gearing calculations, it has been assumed that such inflows and outflows will offset each other, and therefore have no effect on equity.

Please note that the above gearing ratio computations are not intended to be projections to be relied upon by Unitholders. Market conditions affecting the shipping industry may change over the course of the period where such computation is made. There is no assurance that the above gearing ratio will be achievable should market conditions change.

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## LETTER TO UNITHOLDERS

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The above pro forma computations and statements reflect FSL Trust's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking computations and statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking computations and statements. Unitholders are cautioned not to place undue reliance on such forward-looking computations and statements, which are based on FSL Trust's current view on future events. FSL Trust does not undertake any obligation to update publicly or revise any forward-looking computations and statements.

#### 4. THE WHITEWASH RESOLUTION

##### 4.1 Mandatory General Offer Requirement under the Code

Under Rule 14 of the Code, except with the consent of the SIC, where:

- (a) any person acquires whether by a series of transactions over a period of time or not, units which (taken together with units held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a registered business trust; or
- (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional units carrying more than 1.0% of the voting rights,

such person must extend offers immediately to the holders of any class of units of the registered business trust which carries votes and in which such person, or persons acting in concert with him, hold units ("**Mandatory Offer**"). In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend a Mandatory Offer.

##### 4.2 Interests of the Undertaking Unitholders and Application to the SIC

For the purposes of the Code, the Undertaking Unitholders, comprising the Sponsor and the Trustee-Manager (an indirect wholly-owned subsidiary of the Sponsor), are deemed to be concert parties.

The Sponsor is a wholly-owned subsidiary of Prime Shareholdings Inc. which in turn, is a member of the Prime Marine group of companies ("**Prime**"). Prime was founded in 1999 and has since grown to become a leading international ship-owning and management group, headquartered in Athens with 150 shore-based employees. Prime has established a significant operating and commercial platform, managing 34 double-hull oil tankers and 7 LPG carriers with an aggregate tonnage of approximately 3.0 million dwt.

The Sponsor is the controlling Unitholder and long-term strategic investor of FSL Trust. Through FSL Asset Management Pte Ltd, the Sponsor also owns all of the shares of the Trustee-Manager.

As at the Latest Practicable Date, the Undertaking Unitholders hold in aggregate 157,877,631 Units, representing approximately 24.77% of the Existing Units, as follows:

	Direct Interest		Deemed Interest	
	Number of Units	% <sup>(1)</sup>	Number of Units	% <sup>(1)</sup>
<b>Undertaking Unitholders</b>				
FSL Holdings Pte. Ltd. (Sponsor)	154,430,600	24.23	157,877,631 <sup>(2)</sup>	24.77
FSL Trust Management Pte. Ltd. (Trustee-Manager)	3,447,031	0.54	–	–

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### Notes:

- (1) The percentage of Units is computed based on 637,456,577 Units, being the total number of issued units in FSL Trust (excluding treasury units) as at the Latest Practicable Date.
- (2) The Sponsor is deemed interested in the Units held by the Trustee-Manager, its indirect wholly-owned subsidiary.

For illustration purposes only:

- (a) assuming the Minimum Subscription Scenario, the unitholdings of the Undertaking Unitholders and Independent Unitholders in FSL Trust would be approximately 48.9% and 51.1% respectively following the subscription of the New Units by the Undertaking Unitholders (based on the enlarged capital of FSL Trust of 937,789,910 Units immediately following the issuance of 300,333,333 New Units to the Undertaking Unitholders);
- (b) assuming the Maximum Subscription Scenario, the unitholdings of the Undertaking Unitholders and Independent Unitholders in FSL Trust will remain approximately 24.8% and 75.2% respectively following the subscription of all Unitholders for their pro rata entitlements (based on the enlarged capital of FSL Trust of 1,593,641,442 Units immediately following the issuance of 956,184,865 New Units to the Entitled Unitholders; and
- (c) assuming the Excess Subscription Scenario, the unitholdings of the Undertaking Unitholders and Independent Unitholders in FSL Trust would be approximately 69.9% and 30.1% respectively following the subscription of the New Units by the Undertaking Unitholders (based on the enlarged capital of FSL Trust of 1,593,641,442 Units immediately following the issuance of 956,184,865 New Units to the Undertaking Unitholders).

In the allotment of excess New Units, preference will be given to the rounding of odd lots, and the Directors and Substantial Unitholders who have control or influence over FSL Trust in connection with the day-to-day affairs of FSL Trust or the terms of the Preferential Offering, or have representation (direct or through a nominee) on the Board, will rank last in priority for rounding of odd lots and allotment of excess New Units.

The Undertaking Unitholders would incur an obligation to make a Mandatory Offer pursuant to Rule 14 of the Code unless such obligation is waived by the SIC in the event that their aggregate voting rights in FSL Trust:

- (a) exceed 30.0% as a result of the Undertaking Unitholders subscribing for New Units pursuant to the Irrevocable Undertaking and/or excess New Units (subject to availability) under the Preferential Offering; and
- (b) increase by 1% in any period of 6 months (in the event the Undertaking Unitholders' unitholdings in FSL Trust is between 30.0% to 50.0% as a result of the subscription of the New Units and excess New Units (subject to availability)).

Accordingly, FSL Trust had on 29 November 2018 made an application to the SIC (as supplemented by a letter dated 19 March 2019) seeking a waiver of the obligation of the Undertaking Unitholders to make a Mandatory Offer for FSL Trust under Rule 14 of the Code as a result of their subscription of the New Units and any excess New Units.

### 4.3 Potential Dilution

Please refer to Section 4.2 and **Appendix B** to this Circular for the dilution effect to the unitholdings of existing Unitholders before and after the Preferential Offering under the Minimum Subscription Scenario, the Maximum Subscription Scenario and the Excess Subscription Scenario.

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## LETTER TO UNITHOLDERS

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### 4.4 Whitewash Waiver

On 25 March 2019, the SIC waived the requirement for the Undertaking Unitholders to make a Mandatory Offer under Rule 14 of the Code in the event that the Undertaking Unitholders incur an obligation to do so as a result of their subscription for (i) their pro rata entitlements of New Units in full and (ii) all New Units not taken up by Unitholders other than the Undertaking Unitholders (the “**Whitewash Waiver**”), subject to the following conditions being met (the “**SIC Conditions**”):

- (a) a majority of holders of voting rights of FSL Trust present and voting at a general meeting, held before the Preferential Offering, approve by way of a poll, a resolution (the “**Whitewash Resolution**”) to waive their rights to receive a Mandatory Offer from the Undertaking Unitholders;
- (b) the Whitewash Resolution is separate from other resolutions;
- (c) the Undertaking Unitholders, their concert parties and parties not independent of them as well as parties not independent of the Preferential Offering abstain from voting on the Whitewash Resolution;
- (d) the Undertaking Unitholders and their concert parties did not acquire or are not to acquire any Units or instruments convertible into and options in respect of the Units (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Units which have been disclosed in the Circular):
  - (i) during the period between the date of the announcement of the Preferential Offering and the date Unitholders’ approval is obtained for the Whitewash Resolution; and
  - (ii) in the 6 months prior to the date of the announcement of the Preferential Offering, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Trustee-Manager in relation to the Preferential Offering;
- (e) FSL Trust appoints an independent financial adviser to advise the independent Unitholders on the Whitewash Resolution;
- (f) FSL Trust sets out clearly in the Circular:
  - (i) details of the Preferential Offering;
  - (ii) the possible dilution effect to existing holders of voting rights as a result of the Undertaking Unitholders’ acquisition of New Units and excess New Units pursuant to the Irrevocable Undertaking;
  - (iii) the number and percentage of voting rights in FSL Trust as well as the number of instruments convertible into, rights to subscribe for and options in respect of Units held by the Undertaking Unitholders and their concert parties as at the latest practicable date;
  - (iv) the number and percentage of voting rights to be issued to the Undertaking Unitholders as a result of the Undertaking Unitholders’ acquisition of New Units and excess New Units pursuant to the Irrevocable Undertaking;
  - (v) that the Unitholders, by voting for the Whitewash Resolution, are waiving their rights to a Mandatory Offer from the Undertaking Unitholders at the highest price paid by the Undertaking Unitholders and their concert parties for Units in FSL Trust in the past six (6) months preceding the commencement of the Mandatory Offer. In this regard, specific and prominent reference should be made to this; and

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## LETTER TO UNITHOLDERS

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- (vi) that the Undertaking Unitholders' New Units and excess New Units pursuant to the Irrevocable Undertaking could result in the Undertaking Unitholders and their concert parties holding Units carrying over 49% of the voting rights of FSL Trust, and the fact that the Undertaking Unitholders and their concert parties would be free to acquire further Units without incurring any obligation under Rule 14 to make a Mandatory Offer; and
- (vii) the Circular states that the Whitewash Waiver granted by the SIC to the Undertaking Unitholders from the requirement to make a Mandatory Offer under Rule 14 is subject to the conditions stated at paragraphs 4.4(a) to (f) above;
- (g) FSL Trust obtains the SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and
- (h) to rely on the Whitewash Resolution, approval of the Whitewash Resolution must be obtained within three (3) months of the date of the email from SIC granting the Whitewash Waiver, and the acquisition by the Undertaking Unitholders of the New Units and excess New Units must be completed within 3 months of the date of approval of the Whitewash Resolution.

### 4.5 Whitewash Resolution

The Independent Unitholders are therefore asked to vote, by way of a poll, on the Whitewash Resolution as set out as Ordinary Resolution 2 in the Notice of EGM attached to this Circular.

The Board has, on behalf of FSL Trust, appointed Stirling Coleman Capital Limited as the IFA to advise the Independent Directors on the Whitewash Resolution. The recommendation of the IFA is outlined in Section 4.6 of this Circular. The letter from the IFA dated 4 April 2019 setting out their advice to the Independent Directors on the Whitewash Resolution is set out in **Appendix C** to this Circular (the "**IFA Letter**").

In connection with the Whitewash Waiver, the Undertaking Unitholders have confirmed that they, whether by themselves or with any of their concert parties, have not acquired any Units in the six (6) months period prior to the Announcement and will not acquire any Units in the period between the same and the date on which Independent Unitholders' approval is obtained for the Whitewash Resolution at the EGM.

For the avoidance of doubt, the application to the SIC and the grant by the SIC of the Whitewash Waiver, subject to the SIC Conditions, does not amount to an undertaking by the Undertaking Unitholders to subscribe for any excess New Units.

### 4.6 Advice from the IFA

Stirling Coleman Capital Limited has been appointed as the IFA to advise the Independent Directors in respect of the Whitewash Resolution. The IFA Letter setting out the IFA's advice to the Independent Directors in full is reproduced in **Appendix C** to this Circular.

The advice of the IFA to the Independent Directors has been extracted from the IFA Letter and is reproduced in italics below:

*"Having carefully considered the information available to us and based upon the relevant conditions subsisting on the Latest Practicable Date and the factors set out in Section 5 above, and subject to the assumptions made herein, from a financial point of view, we are of the view that the Whitewash Resolution, when considered in the context of the Preferential Offering (which terms are fair and reasonable), is not prejudicial to the interest of the Independent Unitholders.*

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***Accordingly, we are of the view that the Independent Directors should recommend that Unitholders vote in favour of the Whitewash Resolution to be proposed at the EGM.”***

Unitholders are advised to read and consider the above in conjunction with, and in the context of, the IFA Letter in its entirety as reproduced in **Appendix C** to this Circular.

### 4.7 Advice to Independent Unitholders from the Independent Directors in relation to the Whitewash Resolution

#### INDEPENDENT UNITHOLDERS SHOULD NOTE:

- (a) that by voting in favour of the Whitewash Resolution (Ordinary Resolution 2), they are waiving their rights to a Mandatory Offer from the Undertaking Unitholders at the highest price paid by the Undertaking Unitholders in the past six (6) months preceding the commencement of the Mandatory Offer; and
- (b) that the Undertaking Unitholders' acquisition of their entitlement of the New Units and in aggregate up to 719,368,419 excess New Units could result in the Undertaking Unitholders holding units carrying over 49% of the voting rights of FSL Trust and the Undertaking Unitholders would thereafter be free to acquire further Units without incurring any obligation under Rule 14 of the Code to make a Mandatory Offer.

### 5. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Save as disclosed in this Circular, none of the Directors or Substantial Unitholders of FSL Trust (other than in their capacity as directors or unitholders of FSL Trust) has any interest, direct or indirect, in the Proposed Resolutions.

The interests of the Directors in the Units as recorded in the Register of Directors' Unitholdings as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Units	% <sup>(1)</sup>	Number of Units	% <sup>(1)</sup>
<b>Directors</b>				
Efstathios Topouzoglou	–	–	157,877,631	24.77
Michail Chalkias	–	–	157,877,631	24.77
Michael Gray	1,000,000	0.16	–	–
Michael Oliver	–	–	–	–
Narayanan Sreenivasan	–	–	–	–

#### Notes:

- (1) The percentage of Units is computed based on 637,456,577 Units, being the total number of issued units in FSL Trust (excluding treasury units) as at the Latest Practicable Date.

The interests of the Substantial Unitholders in the Units as recorded in the Register of Substantial Unitholders as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Units	% <sup>(1)</sup>	Number of Units	% <sup>(1)</sup>
<b>Substantial Unitholders</b>				
FSL Holdings Pte. Ltd.	154,430,600	24.23	3,447,031 <sup>(2)</sup>	0.54
FSL Trust Management Pte. Ltd.	3,447,031	0.54	–	–
Tiger Group Investments Ltd.	44,790,600	7.03	–	–
Efstathios Topouzoglou	–	–	157,877,631 <sup>(3)</sup>	24.77
Michail Chalkias	–	–	157,877,631 <sup>(3)</sup>	24.77
George Kouleris	–	–	157,877,631 <sup>(3)</sup>	24.77

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## LETTER TO UNITHOLDERS

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### Notes:

- (1) The percentage of Units is computed based on 637,456,577 Units, being the total number of issued units in FSL Trust (excluding treasury units) as at the Latest Practicable Date.
- (2) FSL Holdings Pte. Ltd. ("FSLH") is the 100% shareholder of FSL Asset Management Pte. Ltd., which is in turn the 100% shareholder of FSL Trust Management Pte. Ltd. FSLH is therefore deemed to be interested in the 3,447,031 Units held by FSL Trust Management Pte. Ltd.
- (3) FSLH is a wholly-owned subsidiary of Prime Shareholdings Inc. ("PSI"). PSI is a wholly-owned subsidiary of Prime Investments and Holdings Ltd, which is a wholly-owned subsidiary of Prime Marine Corporation, which is in turn a wholly-owned subsidiary of PMC Holding Inc. ("PMCHI"). PMCHI is 57% held by Joelma Holding Inc., which is 100% held by Efstathios Topouzoglou, 21.5% held by Geomel Holding Inc., which is 100% held by Michail Chalkias, and 21.5% held by Stella Maris Holding Inc., which is 100% held by George Kouleris. Efstathios Topouzoglou, Michail Chalkias and George Kouleris are therefore deemed to be interested in the 157,877,631 Units held by FSLH and FSL Trust Management Pte. Ltd.

### 6. MATERIAL LITIGATION

As at the Latest Practicable Date, the Directors are not aware of any legal or arbitration proceedings pending or threatened against FSL Trust or any of its subsidiaries during the twelve (12) months before the Latest Practicable Date which might have or have had a significant effect on the financial position of the Group or of any facts likely to give rise to any such litigation or arbitration claim.

### 7. MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being a contract entered into in the ordinary course of business) outside of the ordinary course of business for the period of two (2) years prior to the Latest Practicable Date.

### 8. DIRECTORS' CONFIRMATIONS

FSL Trust's bank loan repayment obligations in the 12 months following 31 December 2018 are reflected under current liabilities in the audited consolidated statement of financial position of the Group for FY2018 as set out in **Appendix A** to this Circular.

The Directors are of the view that :

- (i) the risk profile and gearing of FSL Trust will not be materially affected as a result of the staggered payments of the aggregate consideration for the Newbuilding Acquisition as the current loans of FSL Trust will be repaid from operating cash flows generated by its current fleet of vessels while the new loans to be secured for the partial payment of the aggregate consideration for the Newbuilding Acquisition (as referred to in Section 2.8(c) above) will only be drawn down around late 2020 and early 2021 for the payment of the final installment of the aggregate consideration for the Newbuilding Acquisition to the Shipyard upon the delivery of the respective New Vessels as well as taking into account the pro-forma calculations under Section 3.6 above;
- (ii) FSL Trust is expected to be able to meet its repayment obligations in the next 12 months as and when they fall due after taking into account the Group's present bank facilities (including the Bridging Loan), internal resources, operating cash flows, the net sale proceeds from the sale of "FSL Hamburg" and net proceeds of the Preferential Offering. The Group is expected to be able to secure employment for the New Vessels and additional financing for the payment of the final installment of the aggregate consideration for the Newbuilding Acquisition closer to the delivery dates of the New Vessels; and
- (iii) the Preferential Offering and the Newbuilding Acquisition will not materially affect the Group's ability to continue as going concern and to meet its obligations as and when they fall due.

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### 9. INFORMATION BOOKLET

An Information Booklet will be despatched to Entitled Unitholders subject to, *inter alia*, the approval of Unitholders for the Preferential Offering being obtained at the EGM. Acceptances and applications under the Preferential Offering can only be made on the ARE or through the ATMs of the Participating Banks, in the case of Entitled Unitholders (all of which will form part of the Information Booklet).

### 10. DIRECTORS' RECOMMENDATION

#### 10.1 Preferential Offering

Having considered the terms and conditions of and rationale for the Preferential Offering, the Directors are of the unanimous opinion that the Preferential Offering is in the best interests of FSL Trust. Accordingly, the Directors recommend that Unitholders vote in favour of Ordinary Resolution 1 relating to the Preferential Offering, as set out in the Notice of EGM.

#### 10.2 Whitewash Resolution

Efstathios Topouzoglou and Michail Chalkias are Directors of the Trustee-Manager and the ultimate beneficial shareholders of the Undertaking Unitholders. Accordingly, they are not considered to be independent for the purposes of the Whitewash Resolution and they will abstain from making any recommendations on the Whitewash Resolution.

Having considered the rationale for the Preferential Offering and advice of the IFA as set out in **Appendix C** to this Circular, the Independent Directors are of the unanimous opinion that the Whitewash Resolution is in the best interests of FSL Trust and is not prejudicial to the interests of the Independent Unitholders. Accordingly, the Independent Directors recommend that the Independent Unitholders vote in favour of Ordinary Resolution 2 relating to the Whitewash Resolution, as set out in the Notice of EGM.

#### 10.3 Note to Unitholders

Unitholders, in deciding whether to vote in favour of the Proposed Resolutions, should read carefully the terms and conditions, rationale and financial effects of the Preferential Offering, and in respect of the Whitewash Resolution, consider carefully the advice of the IFA. In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Unitholder. As Unitholders would have different investment objectives, the Directors recommend that any Unitholder who may require specific advice in relation to his or her specific investment objectives or portfolio should consult his or her stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

### 11. ABSTENTION FROM VOTING

Pursuant to the Code and Whitewash Waiver, the Undertaking Unitholders and parties not independent of them as well as parties not independent of the Preferential Offering shall abstain, and shall procure their respective associates to abstain, from voting at the EGM on the Whitewash Resolution and shall also refrain from accepting nomination as proxy or otherwise vote at the EGM in respect of the Whitewash Resolution unless Unitholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolutions.

### 12. CONSENT OF THE IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and the IFA Letter, and all references thereto, in the form and context in which they appear in this Circular.

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## LETTER TO UNITHOLDERS

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### 13. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 22 April 2019 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10.00 a.m. on the same day and at the same place) at Meeting Room 303 & 304, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 for the purpose of considering and, if thought fit, passing with or without modification(s), the Proposed Resolutions as set out in the Notice of EGM.

### 14. ACTION TO BE TAKEN BY UNITHOLDERS

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach 9 Temasek Boulevard, #19-03 Suntec Tower Two, Singapore 038989, not later than 48 hours before the time for holding the EGM. Completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting at the EGM if he so wishes.

### 15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm after making all reasonable enquires that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Preferential Offering, the Whitewash Resolution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular 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 Circular in its proper form and context.

### 16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of FSL Trust during normal business hours from the date of this Circular to the time and date of the EGM:

- (a) the Trust Deed;
- (b) the Annual Report of FSL Trust for FY2016, FY2017 and FY2018;
- (c) the Irrevocable Undertaking; and
- (d) the letter of consent from the IFA dated 27 March 2019.

Yours faithfully,

**For and on behalf of FSL Trust Management Pte. Ltd.  
as Trustee-Manager of First Ship Lease Trust**

Efstathios Topouzoglou  
Non-Independent Non-Executive Chairman

## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### 1. Consolidated Statements of Comprehensive Income

The audited consolidated statements of comprehensive income of the Group for FY2016, FY2017 and FY2018 are set out below:

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>FY2017 vs FY2016</b>	<b>FY2018 vs FY2017</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Revenue	98,144	81,499	67,046	(16,645)	(14,453)
Expenses:					
Depreciation expense on vessels	(42,710)	(37,106)	(31,731)	5,604	5,375
Impairment on vessels	(44,137)	(81,129)	(20,648)	(36,992)	60,481
Voyage expenses	(39)	(1,701)	(2,281)	(1,662)	(580)
Vessel operating expenses	(24,129)	(23,054)	(19,456)	1,075	3,598
Management fees	(3,029)	(2,241)	(1,842)	788	399
Trustee fees	(108)	(86)	(61)	22	25
Other trust expenses	(1,652)	(2,188)	(2,402)	(536)	(214)
Total operating expenses	(115,804)	(147,505)	(78,421)	(31,701)	69,084
<b>Results from operating activities</b>	(17,660)	(66,006)	(11,375)	(48,346)	54,631
Other income	1,600	400	–	(1,200)	(400)
Gain/ (Loss) on disposal of vessels	(4,136)	771	886	4,907	115
Finance income	50	54	–	4	(54)
Finance costs	(10,849)	(9,106)	(8,498)	1,743	608
<b>Net finance costs</b>	(10,799)	(9,052)	(8,498)	1,747	554
<b>Profit/ (loss) before tax</b>	(30,995)	(73,887)	(18,987)	(42,892)	54,900
Income tax expense	–	(1)	1	(1)	2
<b>Profit/ (loss) for the year</b>	(30,995)	(73,888)	(18,986)	(42,893)	54,902
<b>Income available for distribution</b>	–	–	–	–	–
<b>Distribution per unit (US cents)</b>	–	–	–	–	–
<b>Earnings/(Loss) per unit (US cents)</b>					
Basic	(4.86)	(11.59)	(2.98)	(6.73)	8.61
Diluted	(4.86)	(11.59)	(2.98)	(6.73)	8.61

## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>FY2017 vs FY2016</b>	<b>FY2018 vs FY2017</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Profit/ (loss) for the year	(30,995)	(73,888)	(18,986)	(42,893)	54,902
<b>Other comprehensive income</b>					
<b>Items that are or may be classified subsequently to profit or loss:</b>					
Translation differences relating to financial statements of foreign operations	(206)	–	–	206	–
Exchange differences on monetary items forming part of net investment in foreign operations	152	–	–	(152)	–
Effective portion of changes in fair value of cash flow hedges	(288)	8	–	296	(8)
Net change in fair value of cash flow hedges reclassified to income statement	609	114	–	(495)	(114)
Other comprehensive (loss)/ income for the year, net of tax	267	122	–	(145)	(122)
<b>Total comprehensive income/(loss) for the year</b>	<b>(30,728)</b>	<b>(73,766)</b>	<b>(18,986)</b>	<b>(43,038)</b>	<b>54,780</b>

A review of the operations, business and financial performance of the Group is set out below:

#### **FY2017 vs FY2016**

FSL Trust recorded lower revenue of US\$81.5 million in FY2017, a 17.0% decrease from FY2016. The decline was primarily due to ongoing market volatility and the continued softening of rates across all shipping sectors which weighed on FSL Trust's earnings from its product tankers, crude oil tankers, chemical tankers and feeder container vessels.

A net loss position of US\$73.9 million was reported in FY2017. This was mainly due to FSL Trust recognising impairment charges of US\$72.2 million on twelve vessels, and a further impairment loss of US\$8.9 million on a vessel sold during the year.

#### **FY2018 vs FY2017**

Revenues of US\$67.0 million declined during FY2018 by 17.7% mainly due to the disposal of two containerships and one chemical tanker, generally softer rates across all sectors, and time charters were not extended on FSL Trust's MR tankers and one Aframax tanker, but which was partially offset by some improvement seen in the Aframax market towards the year-end.

The net loss was reduced to US\$18.9 million due to significantly lower impairment charges taken in FY2018, and lower depreciation charges as a result of the cumulative effect of impairment charges and the vessel disposals.

## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### 2. Consolidated Statements of Financial Position

The audited statements of financial position of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 are set out below:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<b>31 December 2017 vs 31 December 2016</b>	<b>31 December 2018 vs 31 December 2017</b>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Assets</b>					
Vessels <sup>(1)</sup>	427,508	289,077	225,538	(138,431)	(63,539)
<b>Non-current assets</b>	<b>427,508</b>	<b>289,077</b>	<b>225,538</b>	<b>(138,431)</b>	<b>(63,539)</b>
Inventories	122	–	–	(122)	–
Trade and other receivables	3,896	10,504	12,760	6,608	2,256
Cash and cash equivalents	42,899	13,201	13,881	(29,698)	680
Non-current assets classified as held-for-sale <sup>(1)</sup>	–	18,260	10,989	18,260	(7,271)
<b>Current assets</b>	<b>46,917</b>	<b>41,965</b>	<b>37,630</b>	<b>(4,952)</b>	<b>(4,335)</b>
<b>Total assets</b>	<b>474,425</b>	<b>331,042</b>	<b>263,168</b>	<b>(143,383)</b>	<b>(67,874)</b>
<b>Equity attributable to unitholders of FSL Trust</b>					
Units in issue	523,284	523,284	523,284	–	–
Reserves	(275,830)	(349,596)	(368,022)	(73,766)	(18,426)
<b>Total equity</b>	<b>247,454</b>	<b>173,688</b>	<b>155,262</b>	<b>(73,766)</b>	<b>(18,426)</b>
<b>Liabilities</b>					
Bank loans	–	–	73,765	–	(73,765)
7% convertible bonds	–	–	6,287	–	(6,287)
Deferred income	679	–	–	(679)	–
<b>Non-current liabilities</b>	<b>679</b>	<b>–</b>	<b>80,052</b>	<b>(679)</b>	<b>(80,052)</b>
Trade and other payables	2,413	5,370	4,585	2,957	(785)
Bank loans	222,313	151,306	23,269	(71,007)	(128,037)
Derivative liabilities	122	–	–	(122)	–
Deferred income	1,444	678	–	(766)	(678)
<b>Current liabilities</b>	<b>226,292</b>	<b>157,354</b>	<b>27,854</b>	<b>(68,938)</b>	<b>(129,500)</b>
<b>Total liabilities</b>	<b>226,971</b>	<b>157,354</b>	<b>107,906</b>	<b>(69,617)</b>	<b>(49,448)</b>
<b>Total equity and liabilities</b>	<b>474,425</b>	<b>331,042</b>	<b>263,168</b>	<b>(143,383)</b>	<b>(67,874)</b>

**Note:**

- (1) The combined net book values of the existing fleet (including the FSL Hamburg which is classified as held-for-sale) as at 31 December 2018 was US\$236.5 million. Vessels are stated at cost less accumulated depreciation and accumulated impairments. The carrying amounts of the Group's vessels are reviewed at each reporting date to determine whether there is any indication of impairment. Values in use are an indication for potential impairments, as well as to assess the collateral value of the vessels for loan financial covenants compliance purposes. The market value of the existing fleet (including the FSL Hamburg) as at 31 December 2018 was estimated at US\$213.4 million.

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## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### **Disclaimer**

*The above-mentioned market values were obtained by independent third-party shipping brokers, given in good faith without guarantee of accuracy or completeness. Whilst FSL Trust believes that these valuations come from professional reliable sources, it does not make any representation or warranty, express or implied, as to their accuracy, completeness, timeliness or correctness.*

*The valuation of the vessels was prepared assuming sales between a willing seller and a willing buyer on a charter-free basis. These are desktop valuations based on recent sales of similar vessels, with no physical inspections of the actual vessels and exclude any charters attached to the vessels, therefore they do not factor in contracted or expected revenues.*

A review of the financial positions of the Group for the relevant periods is set out below:

### **31 December 2017 vs 31 December 2016**

FSL Trust's total assets decreased further by US\$143.3 million to US\$331.0 million as at 31 December 2017, mainly due to impairment charges of US\$72.2 million made on twelve vessels, and a further US\$8.9 million impairment loss on a vessel sold during the year. Cash and cash equivalents decreased from US\$42.9 million in FY2016 to US\$13.2 million in FY2017, as funds were utilised in reducing FSL Trust's syndicated debt exposure. FSL Trust's total liabilities decreased by US\$69.6 million to US\$157.4 million as at 31 December 2017 due to the reduction in debt.

Impairment charges during the year were for two chemical tankers, two product tankers, and two crude oil tankers.

Considerable debt reduction was again achieved in FY2017, with US\$71.9 million of the syndicated bank loan repaid during the year.

Gearing improved from 47.3% to 46.6% during FY2017.

### **31 December 2018 vs 31 December 2017**

FSL Trust's balance sheet profile was impacted positively through the full repayment of the 8 bank syndicated loan in July 2018, and the drawdown of 3 new bank loans with Hellenic Bank (US\$50 million), Chailease (US\$40m), and Amsterdam Trade Bank (US\$18m), and the issuance of the Convertible Bond in May 2018, the proceeds of which were mainly used to repay the syndicated loan. Vessel sales proceeds also contributed to funds available to repay the syndicated loan.

The vessels' balance sheet value was reduced during FY2018 by US\$70.8 million through disposals, depreciation (US\$31.7 million), and impairment charges (US\$20.6 million).

The syndicated loan refinancing resulted in loans overdue for repayment being removed from the balance sheet, improving the current ratio with US\$23.2 million of new debt in current liabilities as at 31 December 2018, and US\$73.7 million in non-current liabilities.

## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

### 3. Consolidated Statements of Cash Flows

The audited consolidated statements of cash flows of the Group for FY2016, FY2017 and FY2018 are set out below:

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2017</u> <u>vs</u> <u>FY2016</u>	<u>FY2018</u> <u>vs</u> <u>FY2017</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
<b>Cash flows from operating activities</b>					
Profit/ (loss) before tax	(30,995)	(73,887)	(18,987)	(42,892)	54,900
Adjustments for:					
Depreciation expense on vessels	42,710	37,106	31,731	(5,604)	(5,375)
Impairment on vessels	44,137	81,129	20,648	36,992	(60,481)
Amortisation of debt transaction costs	965	851	533	(114)	(318)
Amortisation of initial direct costs	518	345	217	(173)	(128)
Amortisation of deferred income	(1,444)	(1,445)	(678)	(1)	767
Interest income	(50)	(54)	–	(4)	54
Interest expense	9,720	8,127	7,838	(1,593)	(289)
(Gain)/ Loss on disposal of vessels	4,136	(771)	(886)	(4,907)	(115)
Gain on disposal of available-for-sale financial assets	–	–	–	–	–
Unrealised foreign exchange loss	79	–	–	(79)	–
Operating cash flows before movements in working capital	69,776	51,401	40,416	(18,375)	(10,985)
Changes in trade and other receivables	742	(6,630)	(2,256)	(7,372)	4,374
Changes in inventories	(77)	122	–	199	(122)
Changes in trade and other payables	(1,318)	87	262	1,405	175
Changes in lease income received in advance	(2,152)	2,555	(955)	4,707	(3,510)
Cash generated from operations	66,971	47,535	37,467	(19,436)	10,068
Income taxes refunded	–	5	1	5	4
<b>Net cash generated from operating activities</b>	<b>66,971</b>	<b>47,540</b>	<b>37,468</b>	<b>(19,431)</b>	<b>10,072</b>
<b>Cash flows from investing activities</b>					
Purchase of vessel	–	–	–	–	–
Costs incurred for dry-docking	(2,220)	(3,451)	(6)	(1,231)	3,445
Net proceeds on disposal of vessels	9,593	5,813	19,146	(3,780)	13,333
Net proceeds on disposal of available-for-sale financial assets	–	–	–	–	–
Vessels initial direct costs	–	–	(40)	–	(40)
Interest received	35	70	–	35	(70)
<b>Net cash (used in)/generated from investing activities</b>	<b>7,408</b>	<b>2,432</b>	<b>19,100</b>	<b>(4,976)</b>	<b>16,668</b>

## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2017</u> <u>vs</u> <u>FY2016</u>	<u>FY2018</u> <u>vs</u> <u>FY2017</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
<b>Cash flows from financing activities</b>					
Repayment of secured bank loans	(42,711)	(38,283)	(124,781)	4,428	86,498
Prepayment of secured bank loans	(8,026)	(33,575)	(35,617)	(25,549)	2,042
Interest paid	(9,577)	(7,812)	(7,668)	1,765	144
Net proceeds from convertible bonds	–	–	6,585	–	(6,585)
Loan drawdown	–	–	108,000	0	(108,000)
Security deposit released	–	–	–	–	–
Pledged deposit	–	–	(500)	–	500
Payment of upfront closing fees	–	–	(2,407)	–	2407
Purchase of FSL Trust's units in issue	–	–	–	–	–
<b>Net cash used in financing activities</b>	<b>(60,314)</b>	<b>(79,670)</b>	<b>(56,388)</b>	<b>(19,356)</b>	<b>23,282</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>14,065</b>	<b>(29,698)</b>	<b>180</b>	<b>(43,763)</b>	<b>29,878</b>
Cash and cash equivalents at 1 January	28,834	42,899	13,201	14,065	29,698
<b>Cash and cash equivalents at 31 December</b>	<b>42,899</b>	<b>13,201</b>	<b>13,381</b>	<b>(29,698)</b>	<b>180</b>

A review of the cash flow position for the Group for FY2016, FY2017 and FY2018 is set out below:

### **FY2017 vs FY2016**

Weak market conditions and smaller fleet size contributed to lower cash flows from operating activities (US\$47.5 million versus US\$66.9 million).

Syndicated bank debt was further reduced during the year by some US\$71.9 million, of which US\$33.6 million was unscheduled.

### **FY2018 vs FY2017**

The focus on reducing FSL Trust's syndicated debt exposure and seeking new lenders continued during FY2018, with funds applied in July 2018 against the syndicated debt raised from the Convertible Bond (US\$6.6 million), vessel sale proceeds (US\$19.1 million) and from the new lenders (US\$108 million).

Cash flows from operating activities remained positive, and sufficient to service debt, but were lower than FY2017 due to continued challenging conditions and fewer vessels. Surplus cash and net vessel proceeds were utilised pre-refinancing to reduce the syndicated loan exposure, with the remaining balance eventually cleared from the proceeds of the new loans.

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## APPENDIX A – FINANCIAL INFORMATION AND REVIEW OF PAST PERFORMANCE

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### 4. Working Capital

The working capital of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 are set out below:

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Total current assets	46,917	41,965	37,630
Total current liabilities	226,292	157,354	27,854
Net working capital	(179,375)	(115,389)	9,776

A review of the working capital of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 is set out below:

#### **31 December 2017 vs 31 December 2016**

While the syndicated bank debt was significantly reduced through scheduled and unscheduled repayments, efforts to refinance the debt had not concluded by yearend, but remained as the highest priority of the Board and Management.

Cash balances were maintained at comfortable but not excessive levels for FSL Trust and fleet operational efficiency.

#### **31 December 2018 vs 31 December 2017**

With new loans in place the working capital position of FSL Trust was much improved, from a negative to a positive position, As at the end of FY2018, US\$23.2 million of FSL Trust's bank loan exposure was classified in current liabilities, and US\$73.7 million was classified as non-current liabilities, whereas as at 31 December 2017, all bank debt was included under current liabilities as the syndicated loan had not been settled on its due date, nor was the loan refinanced by the end of FY2017.

## APPENDIX B – EFFECTS OF THE PREFERENTIAL OFFERING

For illustrative purposes only, depending on the level of subscription of the Preferential Offering, the potential dilution effects of the Preferential Offering on existing Unitholders after the completion of the Preferential Offering is set out below:

(a) Minimum Subscription Scenario

	Before the Preferential Offering		After the Preferential Offering (assuming the Whitewash Resolution is approved and upon the issue and allotment of the New Units)		After the Preferential Offering (assuming the Whitewash Resolution is not approved <sup>(1)</sup> and upon the issue and allotment of the New Units)	
	Number of Units	% of Total Number of Units	Number of Units	% of Total Number of Units	Number of Units <sup>(1)</sup>	% of Total Number of Units
Independent Unitholders	479,578,946	75.23%	479,578,946 <sup>(2)</sup>	51.1%	479,578,946 <sup>(2)</sup>	70.10%
Undertaking Unitholders	157,877,631	24.77%	458,210,964 <sup>(3)</sup>	48.9%	204,556,497 <sup>(4)</sup>	29.90%
<b>Total</b>	<b>637,456,577</b>	<b>100.00%</b>	<b>937,789,910</b>	<b>100.00%</b>	<b>684,135,443</b>	<b>100.00%</b>

**Notes:**

- (1) Assuming that (i) the Whitewash Resolution is not approved by the Independent Unitholders, (ii) FSL Trust scales down the subscription for the New Units by the Undertaking Unitholders such that the Undertaking Unitholders will hold an aggregate of 29.9% of the Units upon completion of the Preferential Holding so as to avoid placing the Undertaking Unitholders and parties acting in concert with them in the position of incurring a Mandatory Offer obligation under the Code; (iii) none of the Entitled Unitholders (other than the Undertaking Unitholders) subscribe and pay for their *pro rata* entitlements of New Units
- (2) Under the Minimum Subscription Scenario, no New Units shall be issued to the Independent Unitholders upon completion of the Preferential Offering.
- (3) Under the Minimum Subscription Scenario, an aggregate of 300,333,333 New Units shall be issued to the Undertaking Unitholders upon completion of the Preferential Offering based on the exchange rate of US\$1:SS\$1.3515 as of the Latest Practicable Date.
- (4) Under the scenario set out Note <sup>(1)</sup> above, an aggregate of 46,678,866 New Units shall be issued to the Undertaking Unitholders upon completion of the Preferential Offering.

## APPENDIX B – EFFECTS OF THE PREFERENTIAL OFFERING

(b) Maximum Subscription Scenario

	Before the Preferential Offering		After the Preferential Offering (Upon the issue and allotment of the New Units)	
	Number of Units	% of Total Number of Units	Number of Units	% of Total Number of Units
Independent Unitholders	479,578,946	75.23%	1,198,947,365 <sup>(1)</sup>	75.23%
Undertaking Unitholders	157,877,631	24.77%	394,694,077 <sup>(2)</sup>	24.77%
Total	637,456,577	100.00%	1,593,641,442	100.00%

**Notes:**

- (1) Under the Maximum Subscription Scenario, 719,368,419 New Units shall be issued to the Independent Unitholders upon completion of the Preferential Offering.
- (2) Under the Maximum Subscription Scenario, an aggregate of 236,816,446 New Units shall be issued to the Undertaking Unitholders upon completion of the Preferential Offering.

## APPENDIX B – EFFECTS OF THE PREFERENTIAL OFFERING

(c) Excess Subscription Scenario

	Before the Preferential Offering		After the Preferential Offering (assuming the Whitewash Resolution is approved and upon the issue and allotment of the New Units)		After the Preferential Offering (assuming the Whitewash Resolution is not approved <sup>(1)</sup> and upon the issue and allotment of the New Units)	
	Number of Units	% of Total Number of Units	Number of Units	% of Total Number of Units	Number of Units <sup>(1)</sup>	% of Total Number of Units
Independent Unitholders	479,578,946	75.23%	479,578,946 <sup>(2)</sup>	30.09%	479,578,946 <sup>(2)</sup>	70.10%
Undertaking Unitholders	157,877,631	24.77%	1,114,062,496 <sup>(3)</sup>	69.91%	204,556,497 <sup>(4)</sup>	29.90%
Total	637,456,577	100.00%	1,593,641,442	100.00%	684,135,443	100.00%

**Notes:**

- (1) Assuming that (i) the Whitewash Resolution is not approved by the Independent Unitholders, (ii) FSL Trust scales down the subscription for the New Units by the Undertaking Unitholders such that the Undertaking Unitholders will hold an aggregate of 29.90% of the Units upon completion of the Preferential Holding so as to avoid placing the Undertaking Unitholders and parties acting in concert with them in the position of incurring a Mandatory Offer obligation under the Code; (iii) none of the Entitled Unitholders (other than the Undertaking Unitholders) subscribe and pay for their *pro rata* entitlements of New Units
- (2) Under the Excess Subscription Scenario, no New Units shall be issued to the Independent Unitholders upon completion of the Preferential Offering.
- (3) Under the Excess Subscription Scenario, an aggregate of 956,184,865 New Units, shall be issued to the Undertaking Unitholders upon completion of the Preferential Offering.
- (4) Under the scenario set out Note (1) above, an aggregate of 46,678,866 New Units shall be issued to the Undertaking Unitholders upon completion of the Preferential Offering.

**STIRLING COLEMAN CAPITAL LIMITED**

(company registration no.:200105040N)

4 Shenton Way #07-03

SGX Centre 2

Singapore 068807

4 April 2019

To: The Independent Directors of FSL Trust Management Pte Ltd,  
as Trustee-Manager of First Ship Lease Trust ("**FSL Trust**")  
(Deemed to be independent for the purposes of the Whitewash Resolution)

**Dear Sirs**

**THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER OF THE RIGHTS OF THE INDEPENDENT UNITHOLDERS TO RECEIVE A MANDATORY GENERAL OFFER FROM THE UNDERTAKING UNITHOLDERS FOR ALL THE ISSUED UNITS OF FSL TRUST (THE "UNITS") NOT ALREADY OWNED OR CONTROLLED BY THE UNDERTAKING UNITHOLDERS IN CONNECTION WITH THE PREFERENTIAL OFFERING.**

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 4 April 2019 to the Unitholders of the FSL Trust (the "**Circular**").*

**1 INTRODUCTION**

On 26 November 2018, the Trustee-Manager announced that it is undertaking a non-renounceable non-underwritten preferential offering (the "**Preferential Offering**") of up to 956,184,865 new units in FSL Trust (the "**New Units**") at an issue price of S\$0.045 for each New Unit, on the basis of three (3) New Units for every two (2) units of FSL Trust (the "**Units**") held by unitholders of FSL Trust (the "Unitholders") as at a books closure date to be determined (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The Board is convening the EGM to seek Unitholders' approval for the following proposed resolutions:

- (a) the ordinary resolution to approve the Preferential Offering ("**Ordinary Resolution 1**"); and
- (b) the ordinary resolution to approve the Whitewash Resolution ("**Ordinary Resolution 2**").

Unitholders should note that:

- (a) the passing of Ordinary Resolution 1 is not conditional on the passing of Ordinary Resolution 2 and this means that FSL Trust may elect to proceed with the Preferential Offering even if Ordinary Resolution 2 is not approved, subject to compliance with the Code;
- (b) the passing of Ordinary Resolution 2 is conditional on the passing of Ordinary Resolution 1 and this means that in the event that Ordinary Resolution 1 is not approved, Ordinary Resolution 2 will not be passed.

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## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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### 2 TERMS OF REFERENCE

Stirling Coleman Capital Limited (“**Stirling Coleman**”) has been appointed to advise the Independent Directors on whether the Whitewash Resolution is prejudicial to the interest of the independent unitholders, being entitled unitholders other than FSLH and parties acting in concert with it (the “**Independent Unitholders**”). We have considered the Whitewash Resolution in the context of the Preferential Offering, including whether the financial terms of the Preferential Offering is fair and reasonable.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the Whitewash Resolution and their advice and recommendation to the Independent Unitholders in respect thereof. The recommendations made to the Independent Unitholders in relation to the Whitewash Resolution remains the responsibility of the Independent Directors.

We were not involved in any aspect of the negotiations in relation to the Preferential Offering and the Whitewash Resolution and we do not warrant the merits of the Preferential Offering and the Whitewash Resolution other than to express a view on whether the Whitewash Resolution is prejudicial to the interest of the Independent Unitholders.

We have confined our evaluation to the financial terms of the Preferential Offering and Whitewash Resolution and our terms of reference do not require us to evaluate or comment on the risks and/or merits of the Preferential Offering and the Whitewash Resolution or the future prospects of FSL Trust and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and the management of the Trustee-Manager, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. Accordingly, it is not within our scope to express a view on the future growth prospects and earnings potential of FSL Trust, or express any view as to the prices at which the Units may trade after the completion of the Preferential Offering and the Whitewash Resolution.

In formulating our opinion and recommendation, we have held discussions with the Directors and the management of the Trustee-Manager and have examined publicly available information and we have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Trustee-Manager and its other professional advisers. We have relied upon the assurance of the Directors and the management of the Trustee-Manager that all statements of fact, opinion and intention made by the Directors and the management of the Trustee-Manager in the Circular have been reasonably made after due and careful enquiry. We have not independently verified such information but have made such reasonable enquiries and exercised our judgement as we deemed appropriate on such information and have no reason to doubt the accuracy or reliability of the information used for the purposes of our evaluation. Accordingly, we cannot and do not expressly and impliedly represent or warrant, and do not accept any responsibility for the accuracy, or completeness or adequacy of such information or the manner in which it has been classified or presented or the basis of any valuation which may have been included in the Circular or announced by the Trustee-Manager. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time.

In rendering our services, we have not had regard to the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Unitholder. As each Unitholder would have different investment objectives and profiles, we would advise you to recommend that any individual Unitholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

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## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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The Trustee-Manager has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

**Our recommendation in respect of the Whitewash Resolution as set out in Section 4.6 of the Circular, should be considered in the context of the entirety of this Letter and the Circular. Where information in this Letter has been extracted from the Circular, Unitholders are urged to read the corresponding sections in the Circular carefully.**

### 3 INFORMATION ON THE PREFERENTIAL OFFERING

#### 3.1 Basis of the Preferential Offering

*“FSL Trust is offering, on a non-renounceable and non-underwritten basis, up to 956,184,865 New Units at the Issue Price of S\$0.045 per New Unit, on the basis of three (3) New Units for every two (2) Units held by Unitholders as at the Books Closure Date, fractional entitlements to be disregarded.*

*Entitled Unitholders will be at liberty to accept (in full or in part), or decline, their provisional allotment of New Units and will be eligible to apply for additional New Units in excess of their provisional allotments under the Preferential Offering.*

*Fractional entitlements to the New Units will be disregarded in arriving at the Entitled Unitholders’ provisional allotments of New Units and will, together with the provisional allotments of New Units which are not taken up or allotted for any reason, be aggregated and allotted to satisfy Excess Applications for New Units (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interest of FSL Trust.*

*In the allotment of excess New Units, preference will be given to the rounding of odd lots, and the Directors and Substantial Unitholders who have control or influence over FSL Trust in connection with the day-to-day affairs of FSL Trust or the terms of the Preferential Offering, or have representation (direct or through a nominee) on the Board, will rank last in priority for rounding of odd lots and allotment of excess New Units.*

*FSL Trust will not make any allotment and issue of any excess New Units that will result in a transfer of controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.*

*The New Units are payable in full upon acceptance and application by Entitled Unitholders. The New Units will, upon issue, rank pari passu in all respects with the then existing Units, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the New Units.*

*Depending on the level of subscription for the New Units, FSL Trust may, if necessary, scale down the subscription for the New Units by any Unitholder, including the Undertaking Unitholders, to:*

- (a) avoid placing the relevant Unitholder and parties acting in concert with him in the position of incurring a Mandatory Offer obligation under the Code; or*
- (b) avoid the transfer of a controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.*

*The terms and conditions of the Preferential Offering are subject to such changes as the Directors may deem fit. The final terms and conditions of the Preferential Offering will be set out in the Information Booklet to be despatched to Entitled Unitholders in due course, subject to, inter alia, the approval of the Unitholders for the Preferential Offering.”*

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## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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### 3.2 Size of the Preferential Offering

*“As at the Latest Practicable Date, the total number of issued Units in FSL Trust (excluding treasury units) is 637,456,577 Units (the “Existing Units”).*

(a) Minimum Subscription Scenario

*Based on the Existing Units and assuming that:*

- (i) *none of the Entitled Unitholders subscribe for their pro rata entitlements of New Units (other than the Undertaking Unitholders); and*
- (ii) *the Undertaking Unitholders subscribe for their pro rata entitlements of New Units in full and, based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date, 63,516,887 excess New Units pursuant to the Irrevocable Undertaking (as defined below),*

*FSL Trust will issue 300,333,333 New Units under the Preferential Offering.*

(b) Maximum Subscription Scenario

*Based on the Existing Units and assuming that all of the Entitled Unitholders subscribe for their pro rata entitlements of New Units, FSL Trust will issue 956,184,865 New Units under the Preferential Offering.*

(c) Excess Subscription Scenario

*Based on the Existing Units and assuming that:*

- (i) *none of the Entitled Unitholders subscribe for their pro rata entitlements of New Units (other than the Undertaking Unitholders);*
- (ii) *the Undertaking Unitholders subscribe for their pro rata entitlements of New Units in full and, based on an exchange rate of US\$1:S\$1.3515 as of the Latest Practicable Date, 63,516,887 excess New Units pursuant to the Irrevocable Undertaking (as defined below); and*
- (iii) *the Undertaking Unitholders subscribe for an aggregate of up to 655,851,532 additional excess New Units,*

*FSL Trust will issue 956,184,865 New Units under the Preferential Offering.*

***For the avoidance of doubt, the Undertaking Unitholders have only provided undertakings to FSL Trust to subscribe for their pro rata entitlement of 236,816,446 New Units and between 63,516,887 to 514,016,887 excess New Units (subject to availability and based on the assumptions set out in Section 2.12). The exact number of excess New Units that the Undertaking Unitholders will subscribe for pursuant to the Irrevocable Undertaking will be determined based on the outstanding amount under the Bridging Loan and the US\$:S\$ exchange rate prevailing as of the subscription date.”***

### 3.3 Outstanding Convertible Securities

*“As at the Latest Practicable Date, FSL Trust does not have any existing warrants or other convertible securities, other than the Convertible Bonds.*

*The Bondholder has undertaken that it will not convert, sell, transfer or assign any of the Convertible Bonds until the earlier of the date the New Units are allotted and issued pursuant to the Preferential Offering or the date the Preferential Offering is withdrawn. Accordingly, the Bondholder will not be an Entitled Unitholder for the purposes of the Preferential Offering and will not be entitled to subscribe for any New Units under the Preferential Offering.*

## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

In accordance with Condition 4.3.4 of the terms and conditions of the Bond Subscription Agreement, the Preferential Offering will result in an adjustment to the Conversion Price. The current Conversion Price is US\$0.05687 (equivalent to approximately S\$0.07455 based on an exchange rate of S\$1 to US\$0.76289 as at 18 April 2018, being the last Market Day prior to the date of the Bond Subscription Agreement) and the Adjusted Conversion Price will be (based on the same exchange rate):

	<b>Minimum Subscription Scenario</b>	<b>Maximum Subscription Scenario or Excess Subscription Scenario</b>
Adjusted Conversion Price	S\$0.06485	S\$0.05644

A summary of the adjustment to the Conversion Price based on the formula in Condition 4.3.4 of the Bond Subscription Agreement is set out below:

$$\text{Adjusted Conversion Price} = \frac{A + B}{A + C}$$

where:

- A : is the aggregate number of Units immediately before the Announcement;
- B : is the number of Units which the aggregate amount (if any) payable for the Units issued by way of rights and for the total number of Units comprised therein would purchase at such Current Market Price; and
- C : is the aggregate number of New Units issued or, as the case may be, comprised in the issue.

The Adjusted Conversion Price will become effective on the date of issue of the New Units pursuant to the Preferential Offering. The adjustment of the Conversion Price is unaudited. The same has been calculated in accordance with Condition 4.3.4 of the terms and conditions of the Bond Subscription Agreement and does not need to be reviewed or certified by an auditor.

Any additional new Units to be issued as a result of the adjustment of the Conversion Price as described in this Section 2.3 will be issued pursuant to the general mandate to be approved by the Unitholders at the annual general meeting of FSL Trust to be held on 22 April 2019. In the event such general mandate is not approved by Unitholders at the annual general meeting, the Trustee-Manager may seek specific approval for the issuance of the additional new Units from Unitholders."

### 3.4 Principal Terms of the Preferential Offering

"The principal terms of the New Units are set out below:

**Number of New Units** : Up to 956,184,865 New Units

**Basis of Provisional Allotment** : The Preferential Offering is made on a non-renounceable basis to Entitled Unitholders on the basis of three (3) New Units for every two (2) Units held by Entitled Unitholders as at the Books Closure Date, fractional entitlements to be disregarded.

**Issue Price** : S\$0.045 for each New Unit, payable in full on acceptance and/or application.

The Issue Price of S\$0.045 for each New Unit represents a discount of approximately 31.8% to the last traded price of S\$0.066 for Units on the SGX-ST on 26 November 2018, being the full Market Day immediately preceding the Announcement on which Units were traded on the SGX-ST.

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- Eligibility to participate** : Please refer to Section 2.6 entitled “Eligibility of Unitholders to Participate in the Preferential Offering” of the Circular.
- Restrictions** : **As the Preferential Offering is made on a non-renounceable basis, Entitled Unitholders should note that they will not be able to trade or renounce their provisional allotments of New Units.**
- Status of the New Units** : The New Units are payable in full upon acceptance and application, and when issued, will rank *pari passu* in all respects with the then Existing Units, save for any dividends, rights, allotments or other distributions, the Record Date for which falls before the date of issue of the New Units.
- Listing of the New Units** : On 20 March 2019, approval in-principle was obtained from the SGX-ST for, *inter alia*, the dealing in, listing of and quotation of the New Units on the official list of the SGX-ST, subject to certain conditions, details of which are set out under Section 2.7 of the Circular.
- Acceptance and Excess Application** : Entitled Unitholders will be at liberty to accept (in full or in part) or decline and will be eligible to apply for additional New Units in excess of their provisional allotments under the Preferential Offering.
- Provisional allotments which are not taken up for any reason shall be aggregated and used to satisfy excess applications (if any) or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of FSL Trust.*
- In the allotment of excess New Units, preference will be given to the rounding of odd lots, and that Directors and Substantial Unitholders who have control or influence over FSL Trust in connection with the day-to-day affairs of FSL Trust or the terms of the Preferential Offering, or have representation (direct or through a nominee) on the Board of Directors will rank last in priority for the rounding of odd lots and allotment of excess New Units. FSL Trust will not make any allotment and issue of any excess New Units that will result in a transfer of controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.*
- Trading of the Units** : Upon the listing and quotation of the New Units on the SGX-ST, the New Units will be traded on the SGX-ST under the book-entry (scripless) settlement system. For the purposes of trading on the SGX-ST, each board lot of Units will comprise of 100 Units.
- Scaling Down** : Depending on the level of subscription for the New Units, FSL Trust may, if necessary, scale down the subscription for the New Units by any Unitholder to: (a) avoid placing the relevant Unitholder and parties acting in concert with him in the position of incurring a Mandatory Offer obligation under the Code; or (b) avoid the transfer of a controlling interest in FSL Trust unless the conditions provided under Rule 803 of the Listing Manual apply.

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**Use of SRS Funds** : SRS Investors who wish to accept their provisional allotments of New Units and apply for excess New Units (if applicable) can only do so, subject to applicable SRS rules and regulations as well as terms and conditions that may be imposed by the respective SRS Approved Banks, using monies standing to the credit of their respective SRS accounts.

Such SRS Investors who wish to accept their provisional allotments of New Units and apply for excess New Units (if applicable) using SRS monies must instruct their respective SRS Approved Banks in which they hold their respective SRS accounts, to accept their provisional allotments of New Units and apply for excess New Units (if applicable) on their behalf.

**Governing Law** : Laws of the Republic of Singapore”

### 3.5 Rationale for the Preferential Offering and the use of proceeds

“The Trustee-Manager believes that the Preferential Offering will provide Unitholders with the following benefits:

- (a) the Preferential Offering will strengthen the financial position and capital base of FSL Trust, enhancing its financial flexibility to renew its ageing fleet, therefore reducing the age profile and enhancing its commercial attractiveness and marketability;
- (b) the Preferential Offering will increase FSL Trust’s market capitalization, potentially improving the trading liquidity of the Units after the Preferential Offering; and
- (c) the Preferential Offering will provide the Unitholders with an opportunity to further participate in the equity of FSL Trust.

The amount of gross proceeds and net proceeds arising from the Preferential Offering under each of the subscription scenarios are as follows:

<b>Subscription Scenario</b>	<b>Gross Proceeds</b>	<b>Estimated Expenses</b>	<b>Net Proceeds</b>
Maximum Subscription Scenario or Excess Subscription Scenario	S\$43.03 million	S\$0.5 million	S\$42.53 million <sup>(1)</sup>
Minimum Subscription Scenario	S\$13.52 million	S\$0.5 million	S\$13.02 million <sup>(1)</sup>

**Note:**

- (1) FSL Trust may not be receiving any cash proceeds from the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of their subscription of New Units and excess New Units pursuant to the Irrevocable Undertaking as such subscription monies will be set-off against the amounts outstanding under the Bridging Loan as detailed in Section 2.9 of the Circular.

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The FSL Trust intends to use the net proceeds arising from the issuance of the New Units as set out below:

<b>Based on the Maximum Subscription Scenario or Excess Subscription Scenario</b>		
<b>Use of Proceeds</b>	<b>Amount of Net Proceeds (\$ million)</b>	<b>Percentage of Net Proceeds</b>
Full repayment of the amounts outstanding under the Bridging Loan	13.52 to 33.79 <sup>(1)</sup>	32% to 79%
Fleet Renewal by way of the Newbuilding Acquisition	29.01 to 8.74	68% to 21%
<b>Total</b>	<b>42.53</b>	<b>100%</b>

**Note:**

- (1) FSL Trust may not be receiving any cash proceeds from the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of their subscription of New Units and excess New Units pursuant to the Irrevocable Undertaking as such subscription monies will be set-off against the amounts outstanding under the Bridging Loan as detailed in Section 2.9 of the Circular.

<b>Based on the Minimum Subscription Scenario</b>		
<b>Use of Proceeds</b>	<b>Amount of Net Proceeds (\$ million)</b>	<b>Percentage of Net Proceeds</b>
Full repayment of the amounts outstanding under the Bridging Loan	13.02 <sup>(1)</sup>	100%
<b>Total</b>	<b>13.02</b>	<b>100%</b>

**Note:**

- (1) FSL Trust may not be receiving any cash proceeds from the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of their subscription of New Units and excess New Units pursuant to the Irrevocable Undertaking as such subscription monies will be set-off against the amounts outstanding under the Bridging Loan as detailed in Section 2.9 of the Circular.

Pending the deployment of the net proceeds raised from the Preferential Offering, such proceeds may be deposited with banks and/or financial institutions, used for investment in short-term money markets instruments and/or marketable securities, as the Directors may deem appropriate in the interests of FSL Trust.

As and when there is any significant disbursement of the proceeds raised from the Preferential Offering, the Trustee-Manager will make the necessary announcements on SGXNET and subsequently provide a status report on the use of such proceeds in the annual report. Where the proceeds have been used for working capital purposes, the Trustee-Manager will provide a breakdown with details on how the proceeds have been applied in the announcements and the annual report. Where there is any material deviation from the stated use of proceeds, the Trustee-Manager will announce the reason(s) for such deviation.

As at the Latest Practicable Date, the Directors are of the unanimous opinion that barring any unforeseen circumstances:

- (a) the Group is not currently under pressure from its bankers to repay any of its existing borrowings and there are currently no arrangements made or being made for the refinancing of the Group's borrowings;
- (b) after taking into account the Group's present bank facilities (including the Bridging Loan), internal resources, operating cash flows and net proceeds of the Preferential Offering, the Group is expected to have sufficient resources to meet its present capital commitments, save in respect of the final instalment of the consideration for the Newbuilding Acquisition, which is payable upon the deliveries of the New Vessels expected in late 2020 and early 2021. In accordance with industry practice, the Directors are of the unanimous opinion that the Group will be able to secure additional financing closer to the relevant payment dates; and

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## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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- (c) *after taking into consideration the Group’s present bank facilities (including the Bridging Loan), internal resources, operating cash flows and net proceeds of the Preferential Offering, the working capital available to the Group is sufficient to meet its present needs.”*

### 3.6 Underwriting

*“In view of the Irrevocable Undertakings and taking into consideration the costs of engaging an underwriter and having to pay commission in relation to the underwriting, FSL Trust has decided to proceed with the Preferential Offering on a non-underwritten basis. In the reasonable opinion of the Directors, there is no minimum amount which must be raised from the Preferential Offering in view of the Irrevocable Undertakings.”*

### 3.7 Irrevocable Undertakings

*“As of the Latest Practicable Date, the Sponsor holds 154,430,600 Units, representing approximately 24.23% of the Existing Units, while the Trustee-Manager holds 3,447,031 Units, representing approximately 0.54% of the Existing Units. The Sponsor and the Trustee-Manager (an indirect wholly-owned subsidiary of the Sponsor) together hold an aggregate of 157,877,631 Units, representing approximately 24.77% of the Existing Units.*

*To demonstrate their support for the Preferential Offering and their commitment to FSL Trust, the Undertaking Unitholders intend to subscribe for (i) their pro rata entitlement of New Units under the Preferential Offering and (ii) such number of excess New Units under the Preferential Offering, such that the total subscription monies payable by them for the New Units and Excess New Units under the Preferential Offering will be equal to the amount outstanding under the Bridging Loan as of the subscription date. Pursuant to the set-off arrangement as described in Section 2.9, the amounts owing under the Bridging Loan as of the subscription date will then be set off against the subscription monies otherwise payable by the Undertaking Unitholders for their subscription of the New Units and excess New Units under the Preferential Offering.*

*In the above connection, the Undertaking Unitholders have provided an irrevocable undertaking dated 26 November 2018 to FSL Trust (as amended and restated by a supplemental letter, the “**Irrevocable Undertaking**”) that, amongst others:*

- (a) *by the Closing Date, they will subscribe and pay for all their entitlement of*
- (i) *an aggregate of 236,816,446 New Units; and*
- (ii) *subject to availability, up to such number of excess New Units as would result from the application of the following formula on the subscription date:*

$$\text{Number of excess New Units} = \frac{A - B}{C}$$

- (b) *will not sell, transfer or otherwise deal with any of the 157,877,631 Units that they own or control as at the date of the Irrevocable Undertaking, during the period between the date of the Irrevocable Undertaking and the date of issue of the New Units or the date the Preferential Offering is withdrawn; and*
- (c) *they will vote in favour of the Preferential Offering at the EGM (other than in respect of the Whitewash Resolution).*

*For the purposes of Section 2.12(a):*

*“A” means the amount outstanding under the Bridging Loan Agreement as of the subscription date calculated in S\$, based on the US\$ to S\$ exchange rate prevailing on the subscription date;*

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*“B” means the subscription monies payable by the Undertaking Unitholders to FSL Trust in respect of its subscription of the New Units pursuant to paragraph 2.11(a)(i) above; and*

*“C” means the Issue Price.*

*The subscription monies payable by the Undertaking Unitholders in respect of their subscription of 236,816,446 New Units, being their pro rata entitlements, will be S\$10,656,740. For illustrative purposes only and applying the above formula:*

*(a) assuming that:*

*(i) there are no further draw downs on the Bridging Loan and no repayment has been made under the Bridging Loan prior to the subscription date; and*

*(ii) the exchange rate on the subscription date is US\$1:S\$1.3515,*

*the outstanding amount under the Bridging Loan as of the subscription date will be US\$10,000,000 and the Undertaking Unitholders will subscribe for an aggregate of 300,333,333 New Units, comprising their pro rata entitlement of 236,816,446 New Units and 63,516,887 excess New Units, subject to availability, pursuant to the Irrevocable Undertaking; and*

*(b) assuming that:*

*(i) the Bridging Loan is fully drawn down and no repayment has been made under the Bridging Loan prior to the subscription date; and*

*(ii) the exchange rate on the subscription date is US\$1:S\$1.315,*

*the outstanding amount under the Bridging Loan as of the subscription date will be US\$25,000,000 and the Undertaking Unitholders will subscribe for an aggregate of 750,833,333 New Units, comprising their pro rata entitlement of 236,816,446 New Units and 514,016,887 excess New Units, subject to availability, pursuant to the Irrevocable Undertaking.*

*The exact number of excess New Units that the Undertaking Unitholders will subscribe for pursuant to the Irrevocable Undertaking will be determined based on the outstanding amount under the Bridging Loan (which stands at US\$10,000,000 as of the Latest Practicable Date) and the US\$:S\$ exchange rate prevailing as of the subscription date.*

*The Irrevocable Undertaking is subject to and conditional upon:*

*(a) the receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of the New Units on the SGX-ST (and such approval not having been withdrawn or revoked on or prior to the completion of the Preferential Offering) and if such approval is granted subject to conditions, such conditions being acceptable to FSL Trust;*

*(b) the approval of the Unitholders for the Preferential Offering and the issue of the New Units being obtained at the EGM to be convened;*

*(c) the approval of the Independent Unitholders for the Whitewash Resolution being obtained at the EGM to be convened;*

*(d) the Whitewash Waiver being granted by the SIC; and*

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- (e) *all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to FSL Trust and/or applicable laws for the Preferential Offering and to give effect to the Preferential Offering being obtained and not having been revoked or amended before the completion of the Preferential Offering.*

*Apart from the Irrevocable Undertaking to subscribe for New Units and excess New Units, the Undertaking Unitholders intend to, subject to availability, subscribe for all the balance available excess New Units in order to raise additional proceeds for FSL Trust. For illustrative purposes only, assuming the Minimum Subscription Scenario and that the Undertaking Unitholders subscribe for all the excess New Units available under the Minimum Subscription Scenario, the Undertaking Unitholders intend to, subject to availability, subscribe for up to 655,851,532 excess New Units.*

***For the avoidance of doubt, the Undertaking Unitholders have only provided undertakings to FSL Trust to subscribe for, subject to availability, between 63,516,887 to 514,016,887 excess New Units (subject to availability and based on the assumptions set out in this Section). The exact number of excess New Units that the Undertaking Unitholders will subscribe for pursuant to the Irrevocable Undertaking will be determined based on the outstanding amount under the Bridging Loan and the US\$:S\$ exchange rate prevailing as of the subscription date.***

*Please refer to **Appendix B** of the Circular for the dilution effect to the unitholdings of existing Unitholders as a result of the Undertaking Unitholders fulfilling their obligations under the Irrevocable Undertaking.*

*The Undertaking Unitholders have not furnished confirmations of their financial resources from a financial institution to FSL Trust pursuant to the Irrevocable Undertaking as any subscription monies payable by the Undertaking Unitholders in respect of the New Units and excess New Units which they have undertaken to subscribe for pursuant to the Irrevocable Undertaking will be subject to the set-off arrangement detailed in **Section 2.9** of the Circular and set-off against the amounts outstanding under the Bridging Loan.”*

### 3.8 Further Details of the Preferential Offering

**Further details of the Preferential Offering, including details on (i) conditions for the Preferential Offering; (ii) eligibility of Unitholders to participate in the Preferential Offering; (iii) listing and quotation; (iv) the newbuilding acquisition; (v) set-off arrangements for Undertaking Unitholders; (vi) review of past performance; and (vii) books closure date, are set out in Section 2 of the Circular.**

## 4 THE WHITEWASH RESOLUTION

Mandatory General Offer Requirement under the Code

*“Under Rule 14 of the Code, except with the consent of the SIC, where:*

- (a) *any person acquires whether by a series of transactions over a period of time or not, units which (taken together with units held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a registered business trust; or*
- (b) *any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional units carrying more than 1.0% of the voting rights,*

*such person must extend offers immediately to the holders of any class of units of the registered business trust which carries votes and in which such person, or persons acting in concert with him, hold units (“**Mandatory Offer**”). In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend a Mandatory Offer.”*

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### Whitewash Waiver.

*“On 25 March 2019, the SIC waived the requirement for the Undertaking Unitholders to make a Mandatory Offer under Rule 14 of the Code in the event that the Undertaking Unitholders incur an obligation to do so as a result of their subscription for (i) their pro rata entitlements of New Units in full and (ii) all New Units not taken up by Unitholders other than the Undertaking Unitholders (the **“Whitewash Waiver”**), subject to the following conditions being met (the **“SIC Conditions”**):*

- (a) a majority of holders of voting rights of FSL Trust present and voting at a general meeting, held before the Preferential Offering, approve by way of a poll, a resolution (the **“Whitewash Resolution”**) to waive their rights to receive a Mandatory Offer from the Undertaking Unitholders;*
- (b) the Whitewash Resolution is separate from other resolutions;*
- (c) the Undertaking Unitholders, their concert parties and parties not independent of them as well as parties not independent of the Preferential Offering abstain from voting on the Whitewash Resolution;*
- (d) the Undertaking Unitholders and their concert parties did not acquire or are not to acquire any Units or instruments convertible into and options in respect of the Units (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Units which have been disclosed in the Circular):*
  - (i) during the period between the date of the announcement of the Preferential Offering and the date Unitholders’ approval is obtained for the Whitewash Resolution; and*
  - (ii) in the 6 months prior to the date of the announcement of the Preferential Offering, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the directors of the Trustee-Manager in relation to the Preferential Offering;*
- (e) FSL Trust appoints an independent financial adviser to advise the independent Unitholders on the Whitewash Resolution;*
- (f) FSL Trust sets out clearly in the Circular:*
  - (i) details of the Preferential Offering;*
  - (ii) the possible dilution effect to existing holders of voting rights as a result of the Undertaking Unitholders’ acquisition of the New Units pursuant to the Irrevocable Undertaking;*
  - (iii) the number and percentage of voting rights in FSL Trust as well as the number of instruments convertible into, rights to subscribe for and options in respect of Units held by the Undertaking Unitholders and their concert parties as at the Latest Practicable Date;*
  - (iv) the number and percentage of voting rights to be issued to the Undertaking Unitholders as as a result of the Undertaking Unitholders’ acquisition of New Units and excess New Units pursuant to the Irrevocable Undertaking;*
  - (v) that the Unitholders, by voting for the Whitewash Resolution, are waiving their rights to a Mandatory Offer from the Undertaking Unitholders at the highest price paid by the Undertaking Unitholders and their concert parties for Units in FSL Trust in the past six (6) months preceding the commencement of the Mandatory Offer. In this regard, specific and prominent reference should be made to this;*

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- (vi) *that the Undertaking Unitholders' acquisition of their entitlement of the New Units pursuant to the Irrevocable Undertakings could result in the Undertaking Unitholders and their concert parties holding Units carrying over 49% of the voting rights of FSL Trust, and the fact that the Undertaking Unitholders and their concert parties would then be free to acquire further Units without incurring any obligation under Rule 14 of the Code to make a Mandatory Offer; and*
- (vii) *the Circular states that the Whitewash Waiver granted by the SIC to the Undertaking Unitholders from the requirement to make a Mandatory Offer under Rule 14 is subject to the conditions stated in paragraphs 4.4(a) to (f) above;*
- (g) *FSL Trust obtains the SIC's approval in advance for those parts of the Circular that refer to the Whitewash Resolution; and*
- (h) *to rely on the Whitewash Resolution: (i) approval of the Whitewash Resolution must be obtained within three (3) months of the date of the email from SIC granting the Whitewash Waiver; and the acquisition by the Undertaking Unitholders of the New Units and excess New Units must be completed within three 3 months of the date of approval of the Whitewash Resolution."*

Further details of the Whitewash Resolution, including details on (i) interests of the Undertaking Unitholders and application to the SIC; and (ii) potential dilution, are set out in **Section 4** and **Appendix B** to the Circular.

### 5 EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In arriving at our opinion in respect of the Whitewash Resolution, we have deliberated on the following factors which we consider to be pertinent and have a significant bearing on our assessment:

- (a) Rationale for the Preferential Offering and the use of proceeds;
- (b) New Units being offered to Entitled Unitholders on a pro-rata basis;
- (c) Financial performance and position of FSL Trust;
- (d) Historical price performance and trading liquidity of the Units;
- (e) Market statistics of precedent rights issues; and
- (f) Other considerations.

#### 5.1 Rationale for the Preferential Offering and the use of proceeds

The rationale for the Preferential Offering and use of proceeds is set out in **Section 2** of the Circular. We reproduce below the salient extract of the rationale for the Preferential Offering.

*"The Trustee-Manager believes that the Preferential Offering will provide Unitholders with the following benefits:*

- (d) *the Preferential Offering will strengthen the financial position and capital base of FSL Trust, enhancing its financial flexibility to renew its ageing fleet, therefore reducing the age profile and enhancing its commercial attractiveness and marketability;*
- (e) *the Preferential Offering will increase FSL Trust's market capitalization, potentially improving the trading liquidity of the Units after the Preferential Offering; and*

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- (f) *the Preferential Offering will provide the Unitholders with an opportunity to further participate in the equity of FSL Trust.”*

The net proceeds from the Preferential Offering is intended to be used for fleet renewal and working capital purposes to help improve the future financial performance of FSL Trust.

### 5.2 New Units are offered to Entitled Unitholders on a pro-rata basis

The basis of the Preferential Offering is set out in **Section 1** of the Circular. For the Preferential Offering, all Entitled Unitholders are offered the opportunity to subscribe for three (3) New Units for every two (2) Units held by them as at the Books Closure Date, fractional entitlements to be disregarded, at the Issue Price.

Entitled Unitholders will be at liberty to accept (in full or in part), or decline, their provisional allotment of New Units and will be eligible to apply for additional New Units in excess of their provisional allotments under the Preferential Offering.

### 5.3 Financial Performance and Position of FSL Trust

We set out below a summary of the financial results of FSL Trust for the last three financial years ended 31 December 2016, 2017 and 2018 (“**FY2016**”, “**FY2017**” and “**FY2018**” respectively).

#### Summary of FSL Trust’s Income and Loss Statement

US\$’000	Audited FY2018	Audited FY2017	Audited FY2016
Revenue	67,046	81,499	98,144
Results from operating activities	(11,375)	(66,006)	(17,660)
(Loss)/profit before tax	(18,987)	(73,887)	(30,995)
<b>(Loss)/profit for the period/year</b>	<b>(18,986)</b>	<b>(73,888)</b>	<b>(30,995)</b>

#### Summary of FSL Trust’s Financial Position

US\$’000	Audited as at 31-Dec-18	Audited as at 31-Dec-17	Audited as at 31-Dec-16
Current assets	37,630	41,965	46,917
Non-current assets	225,538	289,077	427,508
Total assets	263,168	331,042	474,425
Current liabilities	27,854	157,354	226,292
Non-current liabilities	80,052	–	679
Total liabilities	107,906	157,354	226,971
Units in issue	523,284	523,284	523,284
Reserves	(368,022)	(349,596)	(275,830)
Total Equity	155,262	173,688	247,454

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### Summary of FSL Trust's Cash Flows

US\$'000	Audited FY2018	Audited FY2017	Audited FY2016
Net cash generated from /(used in) operating activities	37,468	47,540	66,971
Net cash generated from /(used in) investing activities	19,100	2,432	7,408
Net cash generated from /(used in) financing activities	(56,388)	(79,670)	(60,314)
<b>Cash and cash equivalents at end of period/year</b>	<b>13,381</b>	<b>13,201</b>	<b>42,899</b>

Source: FY2015 to FY2017 annual reports and FSL Trust's interim financial results announcement.

### 5.3.1 Analysis of the Financial Performance of FSL Trust

#### Revenue

We note that FSL Trust recorded lower revenue of US\$81.5 million in FY2017, a 17.0% decrease from FY2016. The decline was primarily due to ongoing market volatility and the continued softening of rates across all shipping sectors which weighed on FSL Trust's earnings from its product tankers, crude oil tankers, chemical tankers and feeder container vessels. In December 2017, FSL Trust also sold FSL Santos for a gross cash consideration of US\$6.2 million.

We note that FSL Trust recorded lower revenue of US\$67.0 million in FY2018, a 17.7% decrease from FY2017. The lower revenue was the result of the reduced fleet from the disposal of a chemical tanker in early 2018, and the disposal of two feeder containerships in late 2017 reducing the fleet size to 19. Revenues were also impacted by the ongoing market volatility and continued softening of rates across all shipping sectors, which has weighed on FSL Trust's earnings from its product tankers, crude oil tankers, chemical tankers, and container vessels.

#### Net loss/profit of FSL Trust

We note that FSL Trust widened its net loss position to US\$73.9 million in FY2017. In addition to the lower revenue discussed above, this was mainly due to FSL Trust recognising impairment charges of US\$72.2 million on twelve vessels, and a further impairment loss of US\$8.9 million on a vessel classified as held for sale on 31 December 2017 and eventually sold in 2018.

We note that FSL Trust recorded a lower net loss of US\$19.0 million in FY2018, which was a 74.3% improvement in profitability from FY2017.

We note that revenue for FSL Trust has been declining since FY2016 and FSL Trust has been in a net loss position since FY2016, due to vessel sales and the weakness in the tanker markets and the feeder container sector, as well as impairment charges made on its vessels.

### 5.3.2 Analysis of the Financial and Cash Position of FSL Trust

We note that FSL Trust's assets comprised mainly vessels amounting to US\$225.5 million or 85.7% of its total assets as at 31 December 2018), cash and cash equivalents (5.3%) and trade and other receivables (4.8%). FSL Trust's liabilities comprised mainly bank loans (amounting to US\$97.0 million or 90.0% of its total liabilities as at 31 December 2018), convertible bonds (5.8%) and trade and other payables (4.2%).

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We note that FSL Trust's total assets decreased from US\$560.2 million as at 31 December 2015 to US\$474.4 million as at 31 December 2016 mainly due to impairment charges of US\$44.1 million made on eight vessels as well as repayment of over US\$50 million of debt. Total liabilities decreased from US\$282.0 million as at 31 December 2015 to US\$227.0 million as at 31 December 2016 mainly due to the repayment of the debt.

We note FSL Trust's total assets decreased further by US\$143.3 million to US\$331.0 million as at 31 December 2017, mainly due to impairment charges of US\$72.2 million made on twelve vessels, and a further US\$8.9 million impairment loss on a vessel sold during the year. Cash and cash equivalents decreased from US\$42.9 million in FY2016 to US\$13.2 million in FY2017, as funds were utilised in reducing FSL Trust's syndicated debt exposure. FSL Trust's total liabilities decreased by US\$69.6 million to US\$157.4 million as at 31 December 2017 due to the reduction in debt.

**We note that FSL Trust is in a positive working capital position as at 31 December 2018. Cash and bank balances also increased from US\$13.2 million as at 31 December 2017 to US\$13.9 million as at 31 December 2018.**

### 5.3.3 NTA and NAV

Based on the audited financial statements as at 31 December 2018, the audited NTA attributable to Unitholders amounted to US\$155.3 million, equivalent to US\$0.244 per Unit or S\$0.331 per Unit. Accordingly, the Issue Price represents a discount of 86.4% to the audited NTA per Unit as at 31 December 2018. There is no difference between the NTA and the NAV for FSL Trust.

Based on third party professional valuations provided solely for bank security purposes, the average valuation of the vessels was US\$213.4 million. Taking this into account, the Issue Price represents a discount of 84.0% to the audited revalued NTA ("**RNTA**") per Unit as at 31 December 2018.

The above-mentioned valuations done on the vessels were obtained from independent third-party shipping brokers, were given in good faith without guarantee of accuracy or completeness. Whilst FSL Trust believes that these valuations come from professional reliable sources, it does not make any representation or warranty, express or implied, as to their accuracy, completeness, timeliness or correctness. These valuations of the vessels were prepared assuming sales between a willing seller and a willing buyer on a charter-free basis and were based on recent sales of similar vessels, with no physical inspections of the actual vessels and exclude any charters attached to the vessels, therefore they do not factor in contracted or expected revenues.

We further note that for the period of 12 months prior to the Last Trading Day, the Unit Price for FSL Trust has been trading at a discount ranging from 73.4% to 82.3% to the NTA per Unit.

We note that the audited NTA attributable to Unitholders as at 31 December 2018 may differ from the NTA as at Latest Practicable Date due to (i) the scheduled depreciation charge for the vessels; and (ii) the disposal of FSL Hamburg as announced by FSL Trust on 18 January 2019.

In respect of the above, the Directors and management of the Trustee-Manager have confirmed to us that, to the best of their knowledge and belief and save for what has been previously disclosed above and in the Circular, (a) they are not aware of any circumstances which may cause the NTA of FSL Trust as at the Latest Practicable Date to be materially different from that as at 31 December 2018; and (b) there are no contingent liabilities or impairment losses which are likely to have a material impact on the audited NTA of FSL Trust as at 31 December 2018.

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### 5.4 Historical Unit Price performance and Trading Liquidity

#### 5.4.1 Historical Unit Price performance

The following presents the historical chart of the closing prices of the Units and the number of Units traded on a daily basis during the period commencing from 27 November 2017, being the last 12 months period prior to 26 November 2018, being the Last Trading Day, and ending on the Latest Practicable Date.

**Chart 1: Unit Price Performance from 27 November 2017 up to the Latest Practicable Date**



Source: Bloomberg L.P., and information/announcement from the SGX-ST

#### Period from 27 November 2017 up to the Last Trading Day

Based on Chart 1, between 27 November 2017 and up to the Last Trading Day, the Units were trading above the Issue Price at a range of between S\$0.066 to S\$0.099.

#### Period from the Last Trading Day up to the Latest Practicable Date

Based on Chart 1, between the Last Trading day to the Latest Practicable Date, the Units were mostly trading below and above the Issue Price at a range between S\$0.043 to S\$0.055.

#### 5.4.2 Issue Price as compared to the historical prices of the Units

We have tabulated below selected statistical information on the unit price performance and trading liquidity of the Units commencing from 27 November 2018, being the 12-month period prior to the Last Trading Day, and ending on the Latest Practicable Date:

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**Table 1: Unit Price Performance and Trading Liquidity Table**

	VWAP <sup>(1)</sup> (S\$)	Premium/ (Discount) of the Issue Price to VWAP per Unit (%)	Lowest Transacted Price (S\$)	Highest Transacted Price (S\$)	Average daily trading volume <sup>(2)</sup> (Units)	Average daily trading volume as % of Free- float
<b>For the period prior to 26 November 2018 (the “Announcement Date”)<sup>(4)</sup></b>						
Last 12 months	0.086	(47.7)	0.065	0.104	312,654	0.07%
Last 6 months	0.080	(43.8)	0.065	0.085	180,014	0.04%
Last 3 months	0.080	(43.8)	0.065	0.085	164,089	0.03%
Last 1 month	0.071	(36.6)	0.065	0.076	81,105	0.02%
Last Trading Day <sup>(4)</sup>	0.066	(31.8)	0.066	0.068	150,000	0.03%
<b>For the period commencing on the Announcement Date up to the Last Practicable Date<sup>(5)</sup></b>						
From the market day on the Announcement Date up to and including the Latest Practicable Date	0.048	(6.25)	0.043	0.069	246,895	0.05%
<b>Latest Practicable Date</b>	0.047	(4.26)	0.046	0.048	299,300	0.06%

Source: Bloomberg L.P. as at the Latest Practicable Date, 25 March 2019

**Notes:**

1. *The Volume Weighted Average Price (“VWAP”) was calculated by adding up the dollar value for every transaction and then dividing by the total units traded for the day which were rounded to the nearest three decimal places.*
2. *The average daily trading volume of the Units was computed based on the total number of Units traded during the relevant periods divided by the number of market days which the SGX-ST is open for the trading of securities (“Market Day”) for the relevant periods.*
3. *Free-float is approximately 478,578,940 Units of the issued unit capital held by the public as at the Last Trading Day.*
4. ***The Last Trading Day is 26 November 2018 being the last full day of trading of the Units, of which the closing price was the undisturbed price prior to the announcement made on 26 November 2018 after market close. The closing price on 26 November 2018 is shown instead of VWAP.***
5. *Free-float is approximately 478,578,940 Units of the issued unit capital held by the public as estimated by Bloomberg L.P. as at the Latest Practicable Date.*

Based on Table 1, we note that the Issue Price is:

- (i) at approximately 36.6%, 43.8%, 43.8% and 47.7% discount to the VWAP for the Units for the period one-month, three-months, six-months, and 12-months prior to the Last Trading Day respectively;
- (ii) at a discount of approximately 31.8% from the last transacted price of S\$0.066 per Unit on the Last Trading Day;
- (iii) at a discount of approximately 6.25% from the VWAP for the Units for the period on the Last Trading Day up to the Latest Practicable Date; and
- (iv) at a discount of approximately 4.26% from the last transacted price of S\$0.047 per Unit on the Latest Practicable Date.

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### 5.4.3 Trading volume and liquidity

Based on the number of Units traded on a daily basis during the period commencing from 27 November 2017, being the Market Day 12 months prior to the Last Trading Day, and ending on the Latest Practicable Date, we note that:

- (i) from 27 November 2017 to the Last Trading Day, Units were traded on 200 Trading Days out of the total 251 Market Days during the period, with the total number of Units traded being approximately 78.5 million Units and an average daily trading volume of approximately 312,654 Units, which represents 0.05% of the issued Unit capital as at the Last Trading Day or approximately 0.07% of the Free-float as at the Last Trading Day; and
- (ii) for the period commencing from the Market Day immediately after the Announcement Date up till and including the Latest Practicable Date, the Units were traded on 58 days out of the 81 Market Days during the period, with the total number of Units traded being approximately 20.0 million Units and an average daily trading volume of approximately 246,895 Units, which represents 0.04% of the issued Unit capital as at the Latest Practicable Date or approximately 0.05% of the Free-float as at the Latest Practicable Date.

**Table 2: Market Liquidity of the Top 10 largest companies in the FTSE ST Fledging Index**

FSL Trust	Market Capitalisation <sup>(1)</sup> (S\$ million)	Average Daily Trading Volume 12 months prior to Announcement Date (million)	Average Daily Trading Volume as % Free Float Units	Average Daily Trading Volume 6 months prior to Announcement Date (million)	Average Daily Trading Volume as % Free Float Units	Average Daily Trading Volume 3 months prior to Announcement Date (million)	Average Daily Trading Volume as % Free Float Units
MYP Ltd	228	0.09	0.06	0.05	0.03	0.03	0.02
Sunningdale Tech Ltd <sup>(2)</sup>	212	0.93	0.76	0.69	0.56	0.39	0.31
BHG Retail REIT	207	0.03	0.01	0.03	0.02	0.01	0.01
Singapore Reinsurance Corp Ltd	185	0.52	0.09	0.04	0.01	0.03	0.01
CSE Global Ltd	185	1.88	0.51	1.09	0.30	1.02	0.28
United Overseas Insurance Ltd	165	0.01	0.04	0.01	0.02	0.00	0.01
Sing Investments & Finance Ltd	165	0.03	0.03	0.02	0.02	0.00	0.00
AEM Holdings Ltd	159	6.73	3.00	9.79	4.37	11.74	5.24
ABR Holdings Ltd	158	0.02	0.16	0.01	0.11	0.00	0.02
Hong Leong Asia Ltd	154	0.03	0.03	0.02	0.02	0.00	0.00
<b>Max</b>			<b>3.00</b>		<b>4.37</b>		<b>5.24</b>
<b>Min</b>			<b>0.01</b>		<b>0.01</b>		<b>0.00</b>
<b>Median</b>			<b>0.07</b>		<b>0.03</b>		<b>0.02</b>
<b>Simple Average</b>			<b>0.47</b>		<b>0.55</b>		<b>0.59</b>
<b>FSL Trust</b>	30 <sup>(3)</sup>	0.31	0.07	0.18	0.04	0.16	0.03

Source: Bloomberg L.P. and FTSE ST Fledging Index Factsheet (data as at 31 October 2018) from the SGX-ST website.

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### Notes:

1. Based on market capitalization from the FTSE ST Fledging Index Factsheet. FTSE ST Fledging Index comprises 215 listed companies on the SGX-ST that are too small for the FTSE ST All-Unit Index to capture.
2. Formerly known as Plasolux Pte. Ltd.
3. Market capitalization of FSL Trust is based on Bloomberg L.P. as at the Latest Practicable Date.

### **Benchmarking the liquidity of the Units against SGX-ST listed small capitalisation companies**

Unit prices transacted in the equity capital market can be affected by relative liquidity and free float at any given point in time. In analysing the liquidity of the Units, we have given consideration to the liquidity of the Units as compared with the ten largest companies by market capitalisation of the FTSE ST Fledging Index as at 31 October 2018 for the 12-months, 6-months and 3-months period preceding the Last Trading Day.

We note that the average daily trading volume of the Units of 0.07%, 0.04% and 0.03% of its free float for 12-months, 6-months and 3-months respectively. The 12-months average daily trading volume of the Units of its free float were higher than five of the top 10 constituents of FTSE ST Fledging Index prior to the Announcement Date. It was approximately 86.1% lower than the simple average daily trading volume of 0.47% for the top 10 constituents in the FTSE ST Fledging Index as at 31 October 2018 for the 12-months period preceding the Last Trading Day and much lesser for the 6-months and 3-months periods.

We note that the trading volume of the Units had generally been low in the past 12 months prior to the Announcement Date. The Preferential Offering presents Existing Unitholders the right to subscribe for the New Units and will result in the increase in the total number of Units quoted on the SGX-ST.

## 5.5 Market statistics of precedent Rights Issues

### 5.5.1 Comparison against rights issues by companies listed on the SGX-ST

In accessing the reasonableness of the Issue Price, we have reviewed the salient terms of selected rights issues completed by companies listed on the SGX-ST announced since 1 January 2017 to the Announcement Date (the “Comparable Transactions”).

**Table 3: Precedent Rights Issues**

Companies	Annc date	Market cap as at Annc date (mil) <sup>(1)</sup>	Basis of the Rights Issue	Net Proceeds under maximum scenario (mil) <sup>(2)</sup>	Issue price per rights security <sup>(1)</sup>	Theoretical ex-rights price <sup>(1)(2)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights price
Ley Choon Group Holdings Limited	24-Feb-17	28.4	1 right for 1 share	8.6	0.015	0.0315	(52.38%)
Ascott Residence Trust	06-Mar-17	1,943.4	29 rights for 100 units	437.6	0.919	1.1136	(17.47%)
Nutryfarm International Limited	30-Mar-17	14.1	1 right for 2 units	2.8	0.100	0.1800	(44.44%)
Advanced Systems Automation Limited	31-Mar-17	13.2	5 rights for 1 share	11.3	0.0009	0.0016	(43.75%)
Pan-United Corporation Ltd	03-May-17	389.3	1 right for 4 units	60.9(6)	0.430	0.6480	(33.64%)
Maxi-Cash Financial Services Corporation Ltd	16-May-17	144.1	1 right for 6 units	20.4	0.170	0.1803	(5.71%)
CDL Hospitality Trusts	27-Jun-17	1,676.2	20 rights for 100 units	251.0	1.280	1.6133	(20.66%)
CFM Holdings Limited	30-Jun-17	3.3	6 rights for 7 units	1.3	0.015	0.0231	(35.06%)

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Companies	Ann date	Market cap as at Ann date (mil) <sup>(1)</sup>	Basis of the Rights Issue	Net Proceeds under maximum scenario (mil) <sup>(2)</sup>	Issue price per rights security <sup>(1)</sup>	Theoretical ex-rights price <sup>(1) (3)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights price
Manulife US REIT	02-Sep-17	704.4	41 rights for 100 units	200.7	USD 0.695	USD 0.8865	(21.60%)
Cache Logistics Trust	04-Sep-17	794.8	18 rights for 100 units	99.9	0.632	0.8422	(24.96%)
Capitaland Commercial Trust	21-Sep-17	5,243.7	166 rights for 1000 units	690.4	1.363	1.6477	(17.28%)
Maxi-Cash Financial Services Corporation Ltd	09-Nov-17	155.0	1 right for 10 units	14.4	0.160	0.1691	(5.38%)
Nam Cheong Limited	04-Dec-17	41.9	1 right for 1 share	29.0	0.014	0.0170	(17.65%)
Progen Holdings Limited	11-Dec-17	19.3	1 right for 2 units	5.9	0.045	0.0623	(27.77%)
Lifebrandz Ltd	18-Dec-17	6.6	2 rights for 1 share	5.7	0.015	0.0213	(29.58%)
Raffles Education Corporation Limited	18-Dec-17	265.1	3 rights for 10 units	44.4	0.140	0.2246	(37.67%)
JB Foods Limited	20-Dec-17	135.3	1 right for 3 units	18.8	0.250	0.4975	(49.75%)
SingHaiyi Group Ltd	26-Dec-17	344.4	1 right for 2 units	143.2	0.100	0.1133	(11.74%)
Global Yellow Pages Limited	14-Feb-18	33.5	1 right for 5 units	4.8	0.200	0.1667	19.98%
Rich Capital Holdings Limited <sup>(4)</sup>	14-Feb-18	34.0	1 right for 1 share	3.7	0.007	0.0080	(12.50%)
Global Dragon Limited <sup>(5)</sup>	27-Feb-18	15.1	3 rights for 1 share	33.8	0.0675	0.0751	(10.12%)
Singapore Medical Group Limited	01-Mar-18	253.7	1 right for 20 units	10.8	0.480	0.5562	(13.70%)
3Cnergy Limited	02-Mar-18	61.3	1 right for 1 share	15.6	0.022	0.0310	(29.03%)
AusGroup Limited	06-Apr-18	60.2	1 right for 2 units	40.6	0.035	0.0429	(18.41%)
Hotel Royal Limited	11-May-18	336.0	1 right for 5 units	50.3	3.000	3.8333	(21.74%)
Moya Holdings Asia Limited	22-May-18	252.1	1 right for 2 units	132.5	0.095	0.0950	0.00%
Hong Leong Asia Ltd	14-Aug-18	306.6	1 right for 1 share	201.7	0.540	0.6800	(20.59%)
Manhattan Resources Limited	05-Sep-18	45.5	1 right for 1 share	13.7	0.0245	0.0523	(53.11%)
OUE Commercial REIT	10-Sep-18	1,030.5	83 rights for 100 units	587.5(6)	0.456	0.5702	(20.03%)
OUE Lippo Healthcare Limited	18-Sep-18	266.6	1 right for 1 share	148.8	0.0675	0.0938	(28.00%)
BH Global Corporation Ltd	28-Sep-18	19.2	3 rights for 2 units	5.9	0.085	0.1150	(26.09%)
Arion Entertainment Singapore Limited	29-Sep-18	3.6	1 right for 1 share	3.8	0.008	0.0090	(11.11%)
Keppel-KBS US REIT	22-Oct-18	451.4	295 rights for 1000 units	93.1(6)	USD 0.500	USD 0.666	(24.92%)
Cromwell European REIT	31-Oct-18	838.0	38 rights for 100 units	219.9	0.373	0.4980	(25.10%)
Tee International Limited	29-Nov-18	91.9	38 rights for 100 shares	18.9	0.100	0.1601	(37.54%)
China Star Food Group Limited	10-Dec-18	11.6	1 right for 1 share	4.3	0.015	0.0270	(44.44%)
Lifebrandz Ltd	14-Dec-18	5.9	1 right for 2 shares	2.2	0.007	0.0110	(36.36%)
Global Dragon Limited <sup>(5)</sup>	31-Dec-18	31.6	1 right for 3 shares	11.8	0.068	0.0619	9.05%
Raffles United Holdings Limited	9-Jan-19	19.2	1 right for 1 share	11.6	0.050	0.0660	(24.24%)

## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

Companies	Annc date	Market cap as at Annc date (mil) <sup>(1)</sup>	Basis of the Rights Issue	Net Proceeds under maximum scenario (mil) <sup>(2)</sup>	Issue price per rights security <sup>(1)</sup>	Theoretical ex-rights price <sup>(1) (3)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights price
High							19.98%
Low							(53.15%)
Median							(24.24%)
Mean							(23.71%)
FSL Trust	26-Nov-18	42.1	3 rights for 2 units	42.5	0.045	0.0534	(15.73%)

Source: Bloomberg L.P., announcements and/or circulars of the respective companies and Stirling Coleman Capital Limited's computations.

### Notes:

1. Currency is in Singapore dollars unless stated otherwise.
2. Net proceeds is defined as gross proceeds less total costs and expenses relating to the rights issue.
3. Theoretical ex-rights price = (rights shares \* issue price + existing shares \* market price) / (rights shares + existing shares).
4. Rich Capital Holdings Limited was formerly known as Infinio Group Limited.
5. Global Dragon Limited was formerly known as TMC Education Corporation Ltd.
6. Gross proceeds shown instead.

**We note that the discount of the Issue Price to the theoretical ex-rights price of the Units of 15.7% is within the range but lower (more favourable) than the corresponding mean and median discounts for the Comparable Transactions.**

We wish to highlight that the list of Comparable Transactions is not exhaustive, This analysis serves as a general indication of the premium or discount of the issue price to the theoretical ex-rights price, without having regard to specific industry characteristics, rationale for the right issues, then prevailing market conditions and sentiments, the nature of the business/and or the use of proceeds or other relevant considerations. Accordingly, any comparison made with respect to the Comparable Transactions is intended to serve as an illustrative guide only.

### 5.5.2 Comparison against precedent non-renounceable rights issues

As the Preferential Offering is offered on a non-renounceable basis, we have made a further comparison of the terms of the Preferential Offering to selected rights issues completed by companies listed on the SGX-ST, that were issued on a non-renounceable basis to assess the reasonableness of the Issue Price for a non-renounceable rights issue.

Companies	Annc date	Market cap as at Annc date (mil) <sup>(1)</sup>	Basis of the Rights Issue	Net Proceeds under maximum scenario (mil) <sup>(2)</sup>	Issue price per rights security <sup>(1)</sup>	Theoretical ex-rights price <sup>(1) (3)</sup>	Premium/ (Discount) of issue price to theoretical ex-rights price
Joyas International Holdings Limited	08-Mar-16	3.6	6 rights for 1 share, non-underwritten	8.2	0.0035	0.0043	(18.60%)
Soilbuild Business Space REIT	19-Aug-16	641.6	1 unit for 10 units, non-underwritten	59.2	0.6300	0.6814	(7.54%)
Mapletree Logistics Trust Management Ltd.	28-Aug-17	2,989.7	1 unit for 10 units, underwritten	36.4 <sup>(4)</sup>	1.1130	1.1991	(7.18%)
Frasers Logistics & Industrial Trust	23-Apr-18	1,611.9	1 unit for 10 units, underwritten	143.3 <sup>(5)</sup>	0.9420	1.0341	(8.91%)
Manulife US Real Estate Investment Trust	16-May-18	968.7	22 units for 100 units, underwritten	USD191.1	USD0.865	USD0.9257	(6.56%)

## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

International Press Softcom Limited	01-Jun-18	5.0	2 rights for 3 shares, non-underwritten	3.1	0.0110	0.0116	(5.17%)
Sapphire Corporation Limited	30-Dec-18	47.0	1 right for 4 shares, non-underwritten	10.0	0.128	0.1408	(9.09%)
<b>High</b>							<b>(5.17%)</b>
<b>Low</b>							<b>(18.60%)</b>
<b>Median</b>							<b>(7.54%)</b>
<b>Mean</b>							<b>(9.01%)</b>
<b>FSL Trust</b>	<b>26-Nov-18</b>	<b>42.1</b>	<b>3 rights for 2 units</b>	<b>42.5</b>	<b>0.045</b>	<b>0.0534</b>	<b>(15.73%)</b>

Source: Bloomberg L.P., announcements and/or circulars of the respective companies and Stirling Coleman Capital Limited's computations.

**Notes:**

1. *Currency is in Singapore dollars unless stated otherwise.*
2. *Net proceeds is defined as gross proceeds less total costs and expenses relating to the rights issue.*
3. *Theoretical ex-rights price = (rights shares \* issue price + existing shares \* market price) / (rights shares + existing shares).*
4. *Gross proceeds shown instead. Calculated based on 32,709,639 new units to be issued pursuant to the preferential offering \* minimum issue price of S\$1.113.*
5. *Gross proceeds shown instead. Calculated based on 152,153,437 new units to be issued pursuant to the preferential offering \* minimum issue price of S\$0.942.*

**We note that the discount of the Issue Price to the theoretical ex-rights price of the Units of 15.7% is within the range but higher (less favourable) than the corresponding mean and median discounts for the precedent non-renounceable rights issues.**

We wish to highlight that the list of precedent non-renounceable rights issue is not exhaustive. This analysis serves as a general indication of the premium or discount of the issue price to the theoretical ex-rights price, without having regard to specific industry characteristics, rationale for the right issues, then prevailing market conditions and sentiments, the nature of the business/and or the use of proceeds or other relevant considerations. Accordingly, any comparison made with respect to the herein is intended to serve as an illustrative guide only.

### 5.6 Other considerations

#### 5.6.1 Implications of approval of the Whitewash Resolution

Independent Unitholders should note that the Preferential Offering is not conditional upon the passing of the Whitewash Resolution. In the event that the Whitewash Resolution is not passed and FSL Trust proceeds with the Preferential Offering, FSL Trust has stated that it will not make any allotment and issue of any excess New Units that will result in a transfer of controlling interest in FSL Trust. Correspondingly, depending on the subscription level, the proceeds to be raised may fall short of the maximum proceeds of S\$42.53 million.

By voting in favour of the Whitewash Resolution, Independent Unitholders will be waiving their rights to receive a mandatory general offer for all their Units from the Undertaking Unitholders and its concert parties at the highest price paid by the Undertaking Unitholders and its concert parties for the Units in the past 6 months preceding to the commencement of the Preferential Offering. **Further, in the event that the number of New Units acquired by the Undertaking Unitholders results in the Undertaking Unitholders holding Units carrying more than 49% of the voting rights of FSL Trust, the Undertaking Unitholders would be free to acquire further Units without incurring any obligation under Rule 14 of the Code to make a Mandatory Offer.**

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## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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Independent Unitholders should note that upon the completion of the Preferential Offering, the Undertaking Unitholders and their concert parties may potentially own more than 50% of the issued Units and would be in a position to exercise statutory control of FSL Trust. Statutory control will put the Undertaking Unitholders in a position to be able to pass all ordinary resolutions, on matters in which the Undertaking Unitholders do not have an interest and which are tabled for Unitholders' approval at a general meeting.

### 5.6.2 Potential dilution effect on the existing Unitholders arising from the Preferential Offering

**The Preferential Offering is offered on a pro-rata basis and will not result in any Unitholding dilution of the Independent Unitholders if all Independent Unitholders subscribe for their full entitlements of New Units under the Preferential Offering. A dilution impact will occur for the Independent Unitholders who do not subscribe for their full entitlements of the New Units under the Preferential Offering.**

Details of the potential dilution are found in **Section 4.3** and **Appendix B** to the Circular.

### 5.6.3 Preferential Offering is made on a non-renounceable basis

Independent Unitholders should note that the Preferential Offering is made on a non-renounceable basis, therefore Entitled Unitholders will not be able to trade or renounce their provisional allotments of New Units.

### 5.6.4 Financial effects of the Preferential Offering

The financial effects of the Preferential Offering have been set out in **Section 3** of the Circular for illustrative purposes. Based on the financial effects of the Preferential Offering, we note that;

- i) the NTA per Unit as at 31 December 2018 will decrease (less favourable) from US\$0.244 to US\$0.176 and US\$0.117, assuming the minimum and maximum subscription scenario respectively;
- ii) the loss per Unit for FY2018 will reduce (more favourable) from US\$0.030 to US\$0.020 and US\$0.012, assuming the minimum and maximum subscription scenario respectively;
- iii) the capital (Unit in issue) as at 31 December 2018 will increase (more favourable) from US\$523.3 million to US\$533.3 million and US\$555.1 million, assuming the minimum and maximum subscription scenario respectively; and
- iv) the gearing as at 31 December 2018 will decrease (more favourable) from 38.5% to 37.0% and 34.2%, assuming the minimum and maximum subscription scenario respectively.

We wish to highlight that these financial effects are not a projection of the actual future financial performance or financial position of FSL Trust after completion of the Preferential Offering.

### 5.6.5 Support from the Undertaking Unitholder

To demonstrate their support for the Preferential Offering and to demonstrate their commitment to FSL Trust, the Undertaking Unitholders have provided the Irrevocable Undertaking that, amongst others:

- (a) their *pro rata* entitlement of New Units under the Preferential Offering; and

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## APPENDIX C – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

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- (b) such number of excess New Units under the Preferential Offering, such that the total subscription monies payable by them for the New Units and Excess New Units under the Preferential Offering will be equal to the amount outstanding under the Bridging Loan as of the subscription date. Pursuant to the set-off arrangement as described in Section 2.9 of the Circular, the amounts owing under the Bridging Loan as of the subscription date will then be set off against the subscription monies otherwise payable by the Undertaking Unitholders for their subscription of the New Units and Excess New Units under the Preferential Offering.

Details of the Irrevocable Undertaking are found in **Section 2.12** of the Circular. We note that in the event that the Whitewash Resolution is not approved by the Independent Unitholders at the EGM and FSL Trust scales down the subscription for the New Units by the Undertaking Unitholders to avoid placing the Undertaking Unitholders and parties acting in concert with them in the position of incurring a Mandatory Offer obligation under the Code and/or the Preferential Offering is not completed, FSL Trust will seek alternative sources for the repayment of the Bridging Loan on the maturity date which may include operating cash flows and/or sale proceeds from sales of other ageing vessels from its existing fleet.

### 6 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us and based upon the relevant conditions subsisting on the Latest Practicable Date and the factors set out in Section 5 above, and subject to the assumptions made herein, from a financial point of view, we are of the view that the Whitewash Resolution, when considered in the context of the Preferential Offering (which terms are fair and reasonable), is not prejudicial to the interest of the Independent Unitholders.

**Accordingly, we are of the view that the Independent Directors should recommend that Unitholders vote in favour of the Whitewash Resolution to be proposed at the EGM.**

In performing our evaluation and arriving at these conclusions, we wish to emphasise that the opinion set forth herein is based solely on publicly available information and information provided by the Directors and management of the FSL Trust and therefore does not reflect any projections or future financial performance of the FSL Trust after the completion of the Whitewash Resolution and are based on the economic and market conditions prevailing as of the date of this Letter. Our advice is strictly confined to our views on the Whitewash Resolution.

This Letter (for inclusion in the Circular) and our opinion therein has been prepared for the use of the Independent Directors in their consideration of the Whitewash Resolution and their respective recommendation to the Unitholders arising thereof. The recommendations made by the Independent Directors to the Unitholders in relation to the Whitewash Resolution remains the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not imply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**STIRLING COLEMAN CAPITAL LIMITED**

YAP YEONG KEEN  
DIRECTOR

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### FIRST SHIP LEASE TRUST

(a business trust constituted on 19 March 2007  
under the laws of the Republic of Singapore)

MANAGED BY

### FSL TRUST MANAGEMENT PTE. LTD.

(Incorporated in the Republic of Singapore)  
Company Registration No. 200702265R  
(as Trustee-Manager of First Ship Lease Trust)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

All capitalised terms in this Notice which are not defined herein shall have the same meaning ascribed to them in the Circular to Unitholders dated 4 April 2019.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“**EGM**”) of the unitholders of First Ship Lease Trust (“**FSL Trust**”) will be held on 22 April 2019 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10.00 a.m. on the same day and at the same place) at Meeting Room 303 & 304, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

### ORDINARY RESOLUTION 1: THE PREFERENTIAL OFFERING

That the non-renounceable non-underwritten preferential offering of up to 956,184,865 new units in FSL Trust (the “**New Units**”) at the issue price of S\$0.045 for each New Unit, on the basis of three (3) New Units for every two (2) existing units in FSL Trust held by the unitholders of FSL Trust (the “**Unitholders**”) as at a time and date to be determined (the “**Books Closure Date**”), fractional entitlements to be disregarded (“**Preferential Offering**”), be and is hereby approved and authority be and is hereby given to the Board of Directors (the “**Directors**”) of FSL Trust Management Pte. Ltd. (in its capacity as Trustee-Manager of FSL Trust) to:

- (a) create and issue such number of New Units as the Directors may determine up to 956,184,865 New Units at an issue price of S\$0.045 for each New Unit;
- (b) provisionally allot and issue up to 956,184,865 New Units at an issue price of S\$0.045 for each New Unit on the basis of three (3) New Units for every two (2) existing units in FSL Trust held by the Unitholders as at the Books Closure Date, fractional entitlements to be disregarded; and
- (c) allot and issue the New Units on the terms and conditions set out below and/or otherwise on such terms and conditions the Directors may deem fit:
  - (i) the provisional allotments of the New Units under the Preferential Offering shall be made on a non-renounceable basis to the Unitholders whose names appear in the Register of Unitholders or the records of the Central Depository (Pte) Limited (“**CDP**”) as at the Books Closure Date with registered addresses in Singapore or who have, at least three (3) market days prior to the Books Closure Date, provided to the CDP or FSL Trust, as the case may be, addresses in Singapore for the service of notices and documents, on the basis of three (3) New Units for every two (2) existing units in FSL Trust then held by the Unitholders, or in such other proportions as the Directors may deem fit;
  - (ii) no provisional allotment of New Units shall be made in favour of Unitholders with registered addresses outside Singapore as at the Books Closure Date or who have not, at least three (3) market days prior thereto, provided to the CDP or FSL Trust, as the case may be, addresses in Singapore for the service of notices and documents (the “**Foreign Unitholders**”);

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iii) the entitlements to the New Units not taken up or allotted for any reason shall be allotted in such manner as the Directors may, in their absolute discretion, deem fit in the interests of FSL Trust; and
- (iv) the New Units when issued and fully paid up will rank *pari passu* in all respects with the then existing units in FSL Trust save for any dividends, rights, allotments or other distribution, the record date for which falls before the date of issue of the New Units;

and the Directors be and are hereby authorised to take such steps, do all such acts and things, make such amendments to the terms of the New Units and exercise such discretion as the Directors may in their absolute discretion deem fit, advisable or necessary in connection with all or any of the above matters.

### ORDINARY RESOLUTION 2: THE WHITEWASH RESOLUTION

That contingent upon the passing of Ordinary Resolution 1 in this Notice of EGM, approval be and is hereby given as follows:

subject to the satisfaction of all the conditions set out in the Securities Industry Council's letter of 25 March 2019, Unitholders (other than the Undertaking Unitholders) do hereby, on a poll taken, unconditionally and irrevocably waive their rights to receive a mandatory general offer from the Undertaking Unitholders in accordance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"), in the event that the Undertaking Unitholders' subscription for their (i) pro rata entitlements of New Units in full and (ii) all New Units not taken up by Unitholders other than the Undertaking Unitholders results in the Undertaking Unitholders incurring an obligation to make a mandatory general offer pursuant to Rule 14 of the Code.

**Voting Exclusion:** *FSL Trust will, in accordance with the conditional waiver by the SIC, disregard any votes cast on this resolution by the Undertaking Unitholders. However, FSL Trust need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

BY ORDER OF THE BOARD

Elizabeth Krishnan  
Company Secretary

Singapore  
4 April 2019

**Notes:**

1. A Unitholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead at the same meeting. A proxy need not be a Unitholder.
2. A corporation which is a Unitholder may, by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Unitholders and the person so authorised shall be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
3. The instrument appointing a proxy must be deposited at the registered office of the Trustee-Manager at 9 Temasek Boulevard, #19-03 Suntec Tower Two, Singapore 038989 not less than 48 hours before the time for holding the EGM.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Trustee-Manager (or its agents or service providers) for the purpose of the processing, administration and analysis by the Trustee-Manager (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Trustee-Manager (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Trustee-Manager (or its agents or service providers), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Trustee-Manager (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Trustee-Manager in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

**FIRST SHIP LEASE TRUST**  
(a business trust constituted on 19 March 2007)

**FSL TRUST MANAGEMENT PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 200702265R)  
(as Trustee-Manager of First Ship Lease Trust)

**PROXY FORM**  
**EXTRAORDINARY GENERAL MEETING**

I/We, \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a Unitholder / Unitholders of First Ship Lease Trust ("**FSL Trust**") hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Unitholdings	
			No. of Units	%

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and at the Extraordinary General Meeting ("**EGM**") of FSL Trust to be held on 22 April 2019 at 11.00 a.m. (or as soon thereafter following the conclusion or adjournment of the annual general meeting to be held at 10.00 a.m. on the same day and at the same place) and at any adjournment thereof.

I/We direct my/our proxy/ proxies to vote for or against the Resolutions to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the proxy/proxies will vote or abstain from voting at his/their discretion.

	Number of Votes 'For'	Number of Votes 'Against'
<b>Ordinary Resolution 1</b> To approve the Preferential Offering		
<b>Ordinary Resolution 2</b> To approve the Whitewash Resolution		

Note:

1. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please insert [x] within the relevant box provided. Alternatively, please indicate the number of Units as appropriate.
2. Please note that the short descriptions given above of the resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the resolutions. The short descriptions have been inserted for convenience only. Unitholders are encouraged to refer to the Notice of EGM dated 4 April 2019 for the full purpose and intent of the resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Total number of Units held in:	No. of Units
CDP Register	

\_\_\_\_\_  
Signature(s) of Unitholder(s) or  
Common Seal of Corporate Unitholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:**

1. In accordance with the Business Trusts Act and the Trust Deed, a unitholder of First Ship Lease Trust ("**FSL Trust**") ("**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend, speak and vote at the Extraordinary General Meeting. Where such Unitholder's form of proxy appoints more than one proxy, the proportion of the unitholding concerned to be represented by each proxy shall be specified in the form of proxy. Where a Unitholder appoints two proxies and does not specify the number of Units to be represented by each proxy, the appointments shall be invalid.
2. A proxy need not be a Unitholder.
3. A Unitholder should insert the total number of Units held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of FSL Trust, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and Units registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders. If no number is inserted, this form of proxy appointing a proxy or proxies will be deemed to relate to all the Units held by the Unitholder.
4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, it must be executed either under the common seal or under the hand of an officer or attorney so authorised.
5. A corporation which is a Unitholder, may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of Unitholders and the person so authorised shall be entitled to exercise the power on behalf of the corporation so represented as the corporation could exercise in person if it were an individual. The Trustee-Manager shall be entitled to treat a copy of such resolution certified by a director of the corporation to be a true copy, or a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this paragraph.
6. This Proxy Form (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority) must be deposited at the registered office of the Trustee-Manager at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 not less than 48 hours before the time fixed for holding the Extraordinary General Meeting or adjourned meeting, at which the person named in the Proxy Form appointing a proxy or proxies proposes to vote, and in default the Proxy Form shall not be treated as valid.

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7. Any alteration made in this Proxy Form should be initialled by the person who signs it.
8. The Trustee-Manager shall be entitled to reject a Proxy Form appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Unitholders whose Units are entered in the Depository Register, the Trustee-Manager shall be entitled and bound:
  - (a) to reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against the name of the Unitholder in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Trustee-Manager; and
  - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Unitholder is or are able to cast on a poll a number which is the number of Units entered against the name of that Unitholder in the Depository Register as at 48 hours before the time of the relevant meeting as certified by CDP to the Trustee-Manager, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Unitholder.No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
9. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting
10. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends in person, and in such event, the Trustee-Manager reserves the right to refuse to admit any person or person(s) appointed under the instrument of proxy to the Extraordinary General Meeting.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Trustee-Manager (or its agents or service providers) for the purpose of the processing, administration and analysis by the Trustee-Manager (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Trustee-Manager (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Trustee-Manager (or its agents or service providers), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Trustee-Manager (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Trustee-Manager in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

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Please affix  
postage  
stamp

**THE COMPANY SECRETARY**  
**FSL TRUST MANAGEMENT PTE. LTD**  
(as Trustee-Manager of First Ship Lease Trust)  
9 Temasek Boulevard  
#19-03 Suntec Tower Two  
Singapore 038989

