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**APPENDIX TO THE  
NOTICE OF ANNUAL GENERAL MEETING  
DATED 10 APRIL 2015 IN RELATION TO:**

- (1) THE PROPOSED CHANGE OF AUDITORS FROM KPMG LLP TO MOORE STEPHENS LLP; AND**
- (2) THE PROPOSED RENEWAL OF THE UNIT BUY-BACK MANDATE**

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## DEFINITIONS

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

<b>“2015 AGM”</b>	:	The forthcoming annual general meeting of FSL Trust convened to be held on 29 April 2015
<b>“Audit Committee”</b>	:	The audit committee of FSL Trust comprising Michael Oliver, Simon Davidson and Esben Poulsen
<b>“Auditors”</b>	:	The Auditors of FSL Trust for the time being
<b>“Board”</b>	:	Board of Directors of the Trustee-Manager
<b>“Business Trusts Act”</b>	:	Business Trusts Act, Chapter 31A of Singapore
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Companies Act”</b>	:	Companies Act, Chapter 50 of Singapore
<b>“Directors”</b>	:	Directors of the Trustee-Manager
<b>“FSL Trust”</b>	:	First Ship Lease Trust, a business trust constituted on 19 March 2007 under the laws of the Republic of Singapore
<b>“FY”</b>	:	Financial year ended or, as the case may be, ending 31 December
<b>“KPMG”</b>	:	Messrs KPMG LLP
<b>“Latest Practicable Date”</b>	:	31 March 2015, being the latest practicable date prior to the printing of this Appendix
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended and modified from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“MS”</b>	:	Messrs Moore Stephens LLP
<b>“Ordinary Resolution”</b>	:	A resolution proposed and passed as such by a majority being greater than 50.0 per cent. or more of the total number of votes cast for or against such resolution at a meeting of Unitholders convened in accordance with the Trust Deed
<b>“Proposed Change of Auditors”</b>	:	The proposed change of independent Auditors of FSL Trust from KPMG to MS

<b>“Relevant Period”</b>	:	The period commencing from the date on which the 2015 AGM is held and the resolution relating to the Unit Buy-back Mandate is passed, and expiring on: <ul style="list-style-type: none"> <li>(a) the date on which the next annual general meeting of Unitholders is held;</li> <li>(b) the date by which the next annual general meeting of Unitholders is required by law or the terms of the Trust Deed to be held; or</li> <li>(c) the date on which the purchases of Units by the Trustee-Manager pursuant to the Unit Buy-back Mandate are carried out to the full extent mandated,</li> </ul> whichever is the earliest (unless such authority is varied or revoked by FSL Trust in a general meeting of the Unitholders)
<b>“Securities and Futures Act”</b>	:	Securities and Futures Act, Chapter 289 of Singapore
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Sponsor”</b>	:	FSL Holdings Pte. Ltd.
<b>“Take-over Code”</b>	:	The Singapore Code on Take-overs and Mergers, as amended or modified from time to time
<b>“Trust Deed”</b>	:	The deed of trust dated 19 March 2007 constituting FSL Trust, as may be amended and modified from time to time
<b>“Trust Property”</b>	:	Has the meaning ascribed to it in the Business Trusts Act
<b>“Trustee-Manager”</b>	:	FSL Trust Management Pte. Ltd., as trustee-manager of FSL Trust, and a subsidiary of the Sponsor
<b>“Unit”</b>	:	An undivided interest in FSL Trust as provided for in the Trust Deed
<b>“Unit Buy-back Mandate”</b>	:	The general and unconditional mandate to permit the Trustee-Manager to purchase Units for and on behalf of FSL Trust from time to time
<b>“Unitholder”</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 “Unitholder” shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose securities account with CDP is credited with Units
<b>“%” or “per cent.”</b>	:	Per centum

“S\$” : The lawful currency of Singapore

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

The term “**Depositor**” shall have the meaning ascribed to it in Section 130A of the Companies Act.

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

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

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

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

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

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

## **1. INTRODUCTION**

- 1.1 The Directors refer to Resolutions 2 and 5 of the Notice of the forthcoming annual general meeting of FSL Trust convened to be held on 29 April 2015 (the “**2015 AGM**”). Resolutions 2 and 5 are ordinary resolutions to be proposed at the 2015 AGM for (a) the proposed change of independent Auditors of FSL Trust from Messrs KPMG LLP (“**KPMG**”) to Messrs Moore Stephens LLP (“**MS**”) (the “**Proposed Change of Auditors**”); and (b) the proposed renewal of a general and unconditional mandate to permit the Trustee-Manager to purchase Units for and on behalf of FSL Trust from time to time (the “**Unit Buy-back Mandate**”).
- 1.2 The purpose of this Appendix is to provide Unitholders with information relating to Resolutions 2 and 5.

## **2. PROPOSED CHANGE OF AUDITORS**

### **2.1 Introduction**

The Directors propose to seek the approval of Unitholders at the 2015 AGM for the Proposed Change of Auditors.

### **2.2 Rationale**

FSL Trust’s current Auditors, KPMG, have been the Auditors since FY2007. KPMG was reappointed as Auditors at the 2014 AGM to hold office until the conclusion of the 2015 AGM.

The proposed change of Auditors is recommended by the Audit Committee in view of the fact that KPMG have been Auditors for eight years. During these years and more specifically in the last two years, the nature of the business of FSL Trust has changed significantly. FSL Trust is no longer primarily a bareboat lessor or run as a financial investment vehicle, but is a shipowner which employs the tonnage it owns and controls in a variety of ways to produce a managed portfolio. All of this remains in the ambit of the strategy policies and authorised business laid out in the Trust Deed of FSL Trust.

A change of Auditors to MS, which has relevant industry experience in the international shipping industry (as further described in paragraph 2.7 below), will help to bring fresh perspectives in line with FSL Trust’s changing business. Furthermore, in line with FSL Trust’s cost streamlining initiative, the Audit Committee and the Board are of the view that MS also provides a better value proposition to Unitholders. For the avoidance of doubt, the scope of work and review to be undertaken by MS would not be reduced.

After reviewing the credentials and competitive proposals of leading auditing firms, the Audit Committee has recommended the appointment of MS, in place of KPMG, subject to the approval of the Board and Unitholders at the 2015 AGM. The Board has accepted the recommendation. Hence, the Board has initiated the change of Auditors and accordingly, KPMG, the outgoing Auditors, has given notice to the Directors of their resignation as Auditors and will not be seeking re-election at the 2015 AGM.

The Directors wish to express their appreciation for the past services rendered by KPMG.

### **2.3 Listing Rules**

Rule 712 of the Listing Manual provides that an issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm’s other audit engagements, the size and complexity of the listed group being audited, and the

number and experience of supervisory and professional staff assigned to the particular audit. In addition, the auditing firm appointed by the issuer must meet either of the following requirements:

- (i) be registered with the Accounting and Corporate Regulatory Authority of Singapore;
- (ii) be registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST; or
- (iii) be any other auditing firm acceptable by the SGX-ST.

Furthermore, a change of auditing firm must be specifically approved by shareholders in a general meeting. In this regard, MS is registered with the Accounting and Corporate Regulatory Authority of Singapore. Additional details on MS (including the engagement partner, the supervisory and professional staff assigned to the audit of FSL Trust) are set out in Paragraph 2.7 below.

Rule 715 of the Listing Manual provides that an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies. In addition, an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies. In this regard, apart from being proposed as Auditors of FSL Trust, MS is also being proposed as Auditors for the Singapore-incorporated subsidiaries of FSL Trust. No statutory audit is required for subsidiaries incorporated outside Singapore (namely, in the Marshall Islands and in Netherlands) under the laws of incorporation of such subsidiaries. FSL Trust does not have any significant associated companies.

#### **2.4 Opinion of the Audit Committee**

The Audit Committee has, after taking into consideration the suitability of MS and compliance with the Listing Manual, recommended the Proposed Change of Auditors.

#### **2.5 Opinion of the Directors**

The Directors have taken into account the Audit Committee's recommendation and considered the following factors:

- (a) the adequacy of the resources and experience of MS;
- (b) the persons assigned to the audit;
- (c) MS's other audit engagements;
- (d) the size and complexity of FSL Trust; and
- (e) the number and experience of supervisory and professional staff to be assigned to the audit.

The Directors are satisfied that MS will be able to meet the audit requirements of FSL Trust and based on the foregoing and the bases as set out in Paragraph 2.3 above, Rules 712 and 715 of the Listing Manual have been complied with.

Accordingly, the Directors have recommended the Proposed Change of Auditors.



## 2.6 Rule 1203(5) of the Listing Manual

In accordance with the requirements of Rule 1203(5) of the Listing Manual:

- (a) the outgoing Auditors, KPMG, have confirmed that they are not aware of any professional reasons why the new Auditors, MS, should not accept appointment as Auditors;
- (b) the Trustee-Manager confirms that there were no disagreements with the outgoing Auditors, KPMG, on accounting treatments within the last 12 months;
- (c) the Trustee-Manager confirms that, other than set out above, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of Unitholders;
- (d) the Trustee-Manager confirms that the specific reasons for the Proposed Change of Auditors are disclosed in Paragraph 2.2 above; and
- (e) the Trustee-Manager confirms that FSL Trust complies with Rule 712 and Rule 715 of the Listing Manual in relation to the appointment of MS (as further described in Paragraph 2.5 above).

## 2.7 Information on MS

MS is a member firm of Moore Stephens International Limited, which is regarded as one of the world's leading accountancy and consulting associations with 667 offices in 105 countries and over 27,000 partners and staff. The Moore Stephens network has extensive coverage in the Asia Pacific region, with 42 offices and more than 2,000 partners and staff (of which approximately 80% comprises professionals and the remaining comprises administrative staff providing consultancy and accountancy services to clients). MS itself has approximately 200 partners and staff (of which approximately 80% comprises professionals and the remaining comprises administrative staff providing consultancy and accountancy services to clients). MS has been established in Singapore for more than 25 years, providing auditing, consultancy and accountancy services to clients ranging from large corporations, listed entities to private businesses in a broad array of industries. In particular, MS currently performs external audits for 28 entities listed on the SGX-ST and acts as external auditors for various shipping groups, including Golden Stena Weco Pte. Ltd., a joint venture of Golden Agri-Resources Ltd (a SGX-ST listed company).

The Moore Stephens network has been associated with the international shipping industry for over 70 years, and this association has led to the accumulation of knowledge and worldwide experience over the decades. MS is able to leverage on its existing shared information database with member firms of Moore Stephens International Limited to provide valuable insights, in addition to the traditional support services that they provide to their clients. Having a strong network of shipping professionals and keen understanding of industry trends and analyses, MS has the relevant industry experience to support and respond to the needs of their shipping clients.

Mr Neo Keng Jin, with over 20 years of audit experience is the designated Lead Engagement Partner who will be assigned to lead the audit of FSL Trust. Mr Neo is currently the Head of Audit and Assurance of MS and he has extensive experience in the audit engagements of public listed entities and shipping companies, and is currently the engagement partner of seven companies listed on the SGX-ST, namely, Ace Achieve Infocom Limited, Advance SCT Limited, Asiasons Capital Limited, Global Invacom Group Limited, Golden Agri-Resource Ltd, LH Group Limited and Memstar Technology Ltd. Apart from being involved in

the internal audit of a number of shipping entities listed on the SGX-ST, Mr Neo has also undertaken prior special engagements in an advisory role involving, amongst others, restructuring advice and business visibility studies. Mr Neo holds a Bachelor of Accountancy, Nanyang Technological University, Singapore and is a practicing member, Institute of Singapore Chartered Accountants. Mr Neo will be assisted by a team of audit professionals in performing the audit. The Audit Committee had also noted that Mr Neo was subject to and passed the Practice Monitoring Programme review by the Accounting and Corporate Regulatory Authority of Singapore in 2013.

Mr Chris Johnson, with over 30 years of audit experience, is the designated Consulting Partner to the Lead Engagement Partner. Mr Johnson has been involved in, amongst others, audit engagements for clients ranging from multinationals to government agencies and has industry domain experience in shipping, transportation and logistics. Mr Johnson is currently the Head of Shipping at MS and is frequently involved in the consultation of shipping-related accounting and auditing issues (including with a number of shipping entities listed on the SGX-ST). Mr Johnson is a member, Institute of Chartered Accountants in England and Wales and practicing member, Institute of Singapore Chartered Accountants.

For more information on MS, please visit <http://www.moorestephens.com.sg>.

### **3. RENEWAL OF UNIT BUY-BACK MANDATE**

#### **3.1 Introduction**

At the annual general meeting of FSL Trust held on 30 April 2014 (the “**2014 AGM**”), Unitholders had authorised and approved the renewal of the Unit Buy-back Mandate.

The rationale for, the authority and limitations on, and the financial effects arising from, the Unit Buy-back Mandate were set out in the Appendix to the Notice of Annual General Meeting dated 11 April 2014. The Unit Buy-back Mandate was expressed to take effect on the date of the passing of the Ordinary Resolution relating thereto at the 2014 AGM and expire on the date of the 2015 AGM or until it is varied or revoked by Unitholders in a general meeting (if so varied or revoked prior to the 2015 AGM).

Accordingly, the Directors are proposing to seek the approval of Unitholders at the 2015 AGM for the renewal of the Unit Buy-back Mandate. The Unit Buy-back Mandate, if renewed, will take effect on the date of the passing of the Ordinary Resolution relating thereto at the 2015 AGM and expire on the date of the next annual general meeting of FSL Trust convened to be held in 2016 (the “**2016 AGM**”) or the date by which the next annual general meeting of FSL Trust is required by law or the terms of the Trust Deed to be held, whichever is earlier, or until it is varied or revoked by Unitholders in a general meeting (if so varied or revoked prior to the 2016 AGM).

#### **3.2 Rationale**

The approval of the Unit Buy-back Mandate authorising the Trustee-Manager to purchase Units would give the Trustee-Manager the flexibility to undertake Unit buy-backs of up to the 10 per cent. limit described in Paragraph 3.3(a) below at any time, during the period when the Unit Buy-back Mandate is in force.

The rationale for the Trustee-Manager to undertake the purchase of the Units is as follows:

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

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

Rule 723 of the Listing Manual requires FSL Trust to ensure that at least 10 per cent. of its Units are held by the public (the “**Public Float**”). As at the Latest Practicable Date, the Public Float is 75.04 per cent. and accordingly, the orderly trading and the listing status of the Units on the SGX-ST are not likely to be affected by Unitholders’ renewal of the Unit Buy-back Mandate.

### 3.3 **Authority and Limits on the Unit Buy-back Mandate**

The authority and limitations placed on purchases of Units by the Trustee-Manager under the Unit Buy-back Mandate, if renewed at the 2015 AGM, are substantially the same as previously approved by Unitholders and are summarised below:

#### **(a) Maximum Limit**

The total number of Units which may be purchased pursuant to the Unit Buy-back Mandate is limited to that number of Units representing not more than 10 per cent. of the total number of issued Units as at the date of the 2015 AGM when such Unit Buy-back Mandate is renewed by Unitholders.

**For illustrative purposes only:** on the basis of 654,665,077 Units in issue as at the Latest Practicable Date and assuming no further Units are issued on or prior to the 2015 AGM at which the Unit Buy-back Mandate is renewed and before the expiry of the Relevant Period, not more than 65,466,507 Units (representing 10 per cent. of the issued Units) may be purchased by the Trustee-Manager pursuant to the Unit Buy-back Mandate during the Relevant Period.

#### **(b) Duration of Authority**

Purchases of Units may be made during the Relevant Period. As defined in this Appendix, the Relevant Period is the period commencing from the date on which the 2015 AGM is held and the resolution relating to the Unit Buy-back Mandate is passed, and expiring on:

- (i) the date on which the next annual general meeting of Unitholders is held;

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

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

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

### **(c) Manner of Purchase**

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

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

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

- (i) the offers under the scheme are to be made to every person who holds Units to purchase or acquire the same percentage of their Units;
- (ii) all of those persons have a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same except that there shall be disregarded:
  - (1) differences in consideration attributable to the fact that the offers relate to Units with different accrued distribution entitlements;

- (2) differences in consideration attributable to the fact that the offers relate to Units with different amounts remaining unpaid; and
- (3) differences in the offers introduced solely to ensure that each Unitholder is left with a whole number of Units.

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

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

**(d) Purchase Price**

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

However, the purchase price must not exceed:

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

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

For the above purposes:

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

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

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

### 3.4 Status of Purchased Units

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

### 3.5 Reporting Requirements

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

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

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

### 3.6 Other Listing Rules

While the Listing Manual does not expressly prohibit any purchase of units by a trustee-manager of a listed business trust during any particular time or times, because such trustee-manager would be regarded as an “insider” in relation to any proposed purchase or acquisition of the issued units of a listed business trust, the Trustee-Manager will not undertake any purchase or acquisition of Units pursuant to the Unit Buy-back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced.

In particular, in conformity with the best practices on dealing with securities under the Listing Manual, the Trustee-Manager will not purchase or acquire any Units through Market Purchases or Off-Market Purchases during the period of two weeks immediately preceding the announcement of FSL Trust’s results for each of the first three quarters of the financial year, and during the period of one month immediately preceding the announcement of FSL Trust’s annual results.



### 3.7 Source of Funds

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

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

### 3.8 Financial Effects

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

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

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

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

**For illustrative purposes only:** the financial effects of the Unit Buy-back Mandate on FSL Trust are based on the audited financial statements of Trust for the financial year ended 31 December 2014 ("**FY14 Accounts**") and on the assumptions set out below:

- (a) based on 654,665,077 Units in issue as at the Latest Practicable Date and assuming no further Units are issued on or prior to the 2015 AGM at which the Unit Buy-back Mandate is renewed and before the expiry of the Relevant Period, not more than 65,466,507 Units (representing approximately 10 per cent. of the issued Units) may be purchased by the Trustee-Manager pursuant to the Unit Buy-back Mandate;
- (b) that purchases of Units are made to the extent as aforesaid;
- (c) the Unit Buy-back Mandate had been effective on 1 January 2014;
- (d) no distribution is paid for the quarters ended 31 March 2014, 30 June 2014, 30 September 2014 and 31 December 2014;

- (e) the Trustee-Manager had purchased the Units on the last day of the financial year with cash retained as at 31 December 2014;
- (f) units purchased on the last day of the financial year are included in computing the pro forma financial effects of the financial year; and
- (g) incentive fees, where applicable, are waived.

Assuming that the Trustee-Manager purchases the 65,466,507 Units at the Maximum Price, the maximum amount of funds required is approximately:

- (i) in the case of Market Purchases, US\$6,245,505 based on S\$0.1308 (or US\$0.0954) for each Unit (being 105 per cent. of the Average Closing Market Price of a Unit immediately preceding the Latest Practicable Date); and
- (ii) in the case of an Off-Market Purchase, US\$7,142,396 based on S\$0.1500 (or US\$0.1091) for each Unit (being 120 per cent. of the Highest Last Dealt Price of a Unit immediately preceding the Latest Practicable Date).

Based on the FY14 Accounts, after the requisite deductions of cash amounts earmarked for loan repayment, distribution payments and expenses, the cash resources (including retained cash) available for the Trustee-Manager to undertake any Unit buy-backs is US\$14,225,000. Accordingly, the Trustee-Manager will be able to purchase, for the duration of the Unit Buy-back Mandate, approximately up to:

- (1) 65,466,507 Units, in the case of Market Purchases, representing approximately 10 per cent. of the total number of issued Units as at the Latest Practicable Date; and
- (2) 65,466,507 Units, in the case of Off-Market Purchases, representing approximately 10 per cent. of the total number of issued Units as at the Latest Practicable Date.

On the basis of the above, the financial effects of the purchase of such Units by the Trustee-Manager on the FY14 Accounts would be as set out in **Annexes A and B** of this Appendix.

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

### 3.9 Taxation

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



### 3.10 Take-over Implications

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

#### (a) Obligation to make a Take-over Offer

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

#### (b) Persons Acting in Concert

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

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

- (i) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20 per cent. but not more than 50 per cent. of the voting rights of the first-mentioned company;
- (ii) a company with any of its directors (together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts);
- (iii) a company with any of its pension funds and employee share schemes;
- (iv) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (v) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of (1) the adviser and the persons controlling, controlled by or under the same control as the adviser, and (2) all those funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10 per cent. or more of the client's equity share capital;

- (vi) directors of a company, together with their close relatives, related trusts and companies controlled by any of the foregoing, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (vii) partners; and
- (viii) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons and entities, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and entities for the purchase of voting rights.

**(c) Effect of Rule 14 and Appendix 2**

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

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

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

Based on the 654,665,077 issued Units as at the Latest Practicable Date, and assuming that:

- (i) there is no change in the issued Units between the Latest Practicable Date and the date of the 2015 AGM;
- (ii) the Sponsor does not otherwise sell or dispose of its holdings of Units;
- (iii) the Trustee-Manager purchases 65,466,507 Units being the maximum 10 per cent. of the issued Units as at the Latest Practicable Date under the Unit Buy-back Mandate (the “**Full Buy-back**”); and
- (iv) there is no change in the number of Units held or deemed to be held by the Sponsor and parties acting in concert with it (“**Concert Parties**”) as set out in the table below,

the aggregate interest (direct and deemed) in Units of the Sponsor and its Concert Parties as at the date of the 2015 AGM and after the purchase by the Trustee-Manager of 10 per cent. of the issued Units pursuant to the Unit Buy-back Mandate are as follows:

Name	Direct Interest	Deemed Interest	Total Interest	Before Full Buy-back (%)	After Full Buy-back (%)
FSL Holdings Pte. Ltd.	154,430,600	6,122,100 <sup>(1)</sup>	160,552,700	24.5244	27.2493
FSL Asset Management Pte. Ltd.	–	6,122,100 <sup>(2)</sup>	6,122,100	0.9351	1.0391
FSL Trust Management Pte. Ltd.	6,122,100	–	6,122,100	0.9351	1.0391
Schoeller Investments Limited	–	160,552,700	160,552,700	24.5244	27.2493
Mr Heinrich-Leopold Felix Schoeller	–	163,412,700 <sup>(3)</sup>	163,412,700	24.9613	27.7347
Schoeller Holdings Ltd.	–	160,552,700	160,552,700	24.5244	27.2493

**Notes:**

- (1) This deemed interest in FSL Trust arises through the shareholding interests in the Trustee-Manager owned by FSL Holdings Pte. Ltd. and held through FSL Asset Management Pte. Ltd.
- (2) This deemed interest in FSL Trust arises through the shareholding interests in the Trustee-Manager held by FSL Asset Management Pte. Ltd.
- (3) Mr Heinrich-Leopold Felix Schoeller also has an interest in 2,860,000 Units held through a nominee.

As a result of the Full Buy-back, the unitholding interest of the Sponsor and its Concert Parties will increase from approximately 24.9613 per cent. to approximately 27.7347 per cent. of the issued Units.

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

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

### 3.11 Units Purchased by the Trustee-Manager

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

If passed, the Ordinary Resolution set out in Resolution 5 of the Notice of the 2015 AGM empowers the Trustee-Manager from the date of the 2015 AGM until the date of the subsequent annual general meeting, or the date by which the subsequent annual general meeting is required by law or the Trust Deed to be held, or the date on which the purchases of Units by the Trustee-Manager pursuant to the Unit Buy-back Mandate are carried out to the full extent mandated, whichever is the earliest (unless such authority is varied or revoked by FSL Trust in a general meeting of the Unitholders), to purchase or acquire up to 10 per cent. of the total number of Units in issue at the time of the 2015 AGM by way of Market Purchases or Off-Market Purchases.

#### 4. DIRECTORS' AND SUBSTANTIAL UNITHOLDERS' INTEREST

Based on the Register of Director's Unitholdings and the notifications of unitholdings received from substantial Unitholders, as at the Latest Practicable Date, none of the Directors hold any Units and the direct and deemed interests and voting rights of the substantial Unitholders are as follows:

Name	Direct Interest	%	Deemed Interest	%
<b>Substantial Unitholders</b>				
FSL Holdings Pte. Ltd. <sup>(1)</sup>	154,430,600	23.59	6,122,100	0.935
Schoeller Investments Limited <sup>(2)</sup>	–	–	160,552,700	24.52
Mr Heinrich-Leopold Felix Schoeller <sup>(3)</sup>	–	–	163,412,700	24.96

**Notes:**

- (1) FSL Holdings Pte. Ltd. is deemed to be interested in 6,122,100 units held by FSL Trust Management Pte. Ltd. (which is held through FSL Asset Management Pte. Ltd.).
- (2) Schoeller Investments Limited is the beneficial holder of 41.25% of the issued share capital of FSL Holdings Pte. Ltd. Accordingly Schoeller Investments Limited is deemed to be interested in all the units in which FSL Holdings Pte. Ltd. has an interest.
- (3) Mr Heinrich-Leopold Felix Schoeller is the ultimate shareholder of Schoeller Investments Limited and is therefore deemed to be interested in all the units in which FSL Holdings Pte. Ltd. has an interest. In addition, Mr Heinrich-Leopold Felix Schoeller also has an interest in 2,860,000 units held through a nominee.

Based on the above and save as described in Paragraph 3.10(d) above, none of the Directors and substantial Unitholders would be obliged, as at the Latest Practicable Date, to make a take-over offer (as described in Paragraph 3.10(a) above).

#### 5. ACTIONS TO BE TAKEN BY UNITHOLDERS

You will find enclosed in the annual report of FSL Trust for the financial year ended 31 December 2014 the Notice of the 2015 AGM and a Proxy Form.

If a Unitholder is unable to attend the 2015 AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Trustee-Manager no later than 2.30 p.m. on 27 April 2015 being 48 hours before the time fixed for the 2015 AGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting at the 2015 AGM in person if he so wishes.

#### 6. DIRECTORS' RECOMMENDATION

##### 6.1 Proposed Change of Auditors

The Audit Committee has reviewed and deliberated on the Proposed Change of Auditors and recommends the same for approval after having satisfied itself of the suitability of MS and the requirements of the Listing Manual.

Having considered the rationale and benefit of the Proposed Change of Auditors, the Directors are of the unanimous opinion that the Proposed Change of Auditors is in the interests of FSL Trust and the Unitholders. Accordingly, the Directors unanimously recommend that Unitholders vote in favour of the Ordinary Resolution set out in Resolution 2 of the Notice of the 2015 AGM.

## **6.2 Renewal of Unit Buy-back Mandate**

The Directors are of the opinion that the proposed renewal of the Unit Buy-back Mandate is in the best interests of FSL Trust and recommend that Unitholders vote in favour of the Ordinary Resolution set out in Resolution 5 of the Notice of the 2015 AGM.

## **7. CONSENTS**

KPMG and MS have given, and have not withdrawn their written consents to the inclusion of their names and all references thereto, in the forms and contexts in which they appear in this Appendix.

## **8. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Change of Auditors and the proposed renewal of the Unit Buy-back Mandate, FSL Trust and its special purpose companies, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

## **9. INSPECTION OF DOCUMENTS**

Copies of the following documents may be inspected at the principal place of business of the Trustee-Manager during normal business hours from the date hereof up to and including the date of the 2015 AGM:

- (a) the Trust Deed;
- (b) the annual report of FSL Trust for the financial year ended 31 December 2014;
- (c) the letters of consent referred to in Paragraph 7 of this Appendix;
- (d) the professional clearance letter issued by KPMG to MS; and
- (e) the consent to act as Auditors from MS.

**ANNEX A**

**ILLUSTRATION OF FINANCIAL EFFECTS  
FROM MARKET PURCHASES<sup>(1)</sup>**

		<b>Before Unit buy-back via Market Purchase</b>	<b>After Unit buy-back via Market Purchase</b>
<b>As at 31 December 2014</b>		<b>Per audited consolidated financial statements for financial year ended 31 December 2014</b>	<b>Pro forma financial effects on audited consolidated financial statements for financial year ended 31 December 2014</b>
Units in issue and reserve	US\$'000	266,733	260,487
Net assets attributable to Unitholders	US\$'000	266,733	260,487
Net assets	US\$'000	266,733	260,487
Current assets	US\$'000	37,639	31,393
Current liabilities	US\$'000	50,819	50,819
Working capital	US\$'000	(13,180)	(19,426)
Cash and cash equivalents	US\$'000	32,750	26,504
Non-current assets	US\$'000	557,277	557,277
Total borrowings (current)	US\$'000	44,000	44,000
Total borrowings (non-current)	US\$'000	273,642	273,642
Derivative financial instruments – net liabilities (current)	US\$'000	1,194	1,194
Derivative financial instruments – net assets (non-current)	US\$'000	184	184
No. of Units in issue	'000 Units	654,665	589,199
Weighted average number of Units issued	'000 Units	654,665	654,486
<b>Financial ratio</b>			
Net asset value per Unit	US\$	0.4074	0.4421
Gearing ratio	%	119.1	121.9
Gearing ratio	Number of times	1.19	1.22
Basic Earnings per Unit	US cents	0.62	0.62
Distribution per Unit	US cents	–	–

**Note:**

(1) Based on Unit price of S\$0.1308 (or US\$0.0954) and on the basis that 65,466,507 Units are purchased via Market Purchases and all Units purchased are cancelled.

**ANNEX B**

**ILLUSTRATION OF FINANCIAL EFFECTS FROM  
OFF-MARKET PURCHASES<sup>(1)</sup>**

		<b>Before Unit buy-back via Off-Market Purchase</b>	<b>After Unit buy-back via Off-Market Purchase</b>
<b>As at 31 December 2014</b>		<b>Per audited consolidated financial statements for financial year ended 31 December 2014</b>	<b>Pro forma financial effects on audited consolidated financial statements for financial year ended 31 December 2014</b>
Units in issue and reserve	US\$'000	266,733	259,591
Net assets attributable to Unitholders	US\$'000	266,733	259,591
Net assets	US\$'000	266,733	259,591
Current assets	US\$'000	37,639	30,497
Current liabilities	US\$'000	50,819	50,819
Working capital	US\$'000	(13,180)	(20,322)
Cash and cash equivalents	US\$'000	32,750	25,608
Non-current assets	US\$'000	557,277	557,277
Total borrowings (current)	US\$'000	44,000	44,000
Total borrowings (non-current)	US\$'000	273,642	273,642
Derivative financial instruments – net liabilities (current)	US\$'000	1,194	1,194
Derivative financial instruments – net assets (non-current)	US\$'000	184	184
No. of Units in issue	'000 Units	654,665	589,199
Weighted average number of Units issued	'000 Units	654,665	654,486
<b>Financial ratio</b>			
Net asset value per Unit	US\$	0.4074	0.4406
Gearing ratio	%	119.1	122.4
Gearing ratio	Number of times	1.19	1.22
Basic Earnings per Unit	US cents	0.62	0.62
Distribution per Unit	US cents	–	–

**Note:**

(1) Based on Unit price of S\$0.150 (or US\$0.1091) and on the basis that 65,466,507 Units are purchased via Off-Market Purchases and all Units purchased are cancelled.

