

CIRCULAR DATED 12 JULY 2019

**THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF STIRLING COLEMAN CAPITAL LIMITED, THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.**

This Circular is issued by FSL Trust Management Pte. Ltd. (the “Trustee-Manager”) as the trustee-manager of First Ship Lease Trust (“FSL Trust” or “FSLT”). If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or any other professional adviser immediately.

If you have sold or transferred all your Units (as defined herein) and/or Convertible Bonds (as defined herein), you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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



**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 SECURITYHOLDERS**

in relation to the

### **MANDATORY CONDITIONAL CASH OFFER**

by

The logo for CICF, consisting of the letters 'CICF' in a large, bold, blue font.

CEL Impetus Corporate Finance Pte Ltd

**CEL IMPETUS CORPORATE FINANCE PTE LTD**  
(Incorporated in the Republic of Singapore)  
(Company Registration No.: 201631484Z)

for and on behalf of

**FSL HOLDINGS PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200615503E)

for (a) all issued Units, other than those already owned, controlled or agreed to be acquired by the Offeror (as defined herein); and (b) all new units unconditionally issued or to be issued pursuant to the valid conversion, prior to the Final Closing Date (as defined herein), of the Convertible Bonds

*Independent Financial Adviser to the Independent Directors*

**STIRLING COLEMAN**  
施霖高诚

**STIRLING COLEMAN CAPITAL LIMITED**  
(Company Registration Number: 200105040N)  
(Incorporated in the Republic of Singapore)

**SECURITYHOLDERS SHOULD NOTE THAT THE OFFER UNCONDITIONAL ANNOUNCEMENT (AS DEFINED HEREIN) STATES THAT THE OFFER WILL REMAIN OPEN FOR ACCEPTANCE UNTIL 5.30 P.M. (SINGAPORE TIME) ON 14 AUGUST 2019, AND ACCEPTANCES RECEIVED AFTER 5.30 P.M. ON THE FINAL CLOSING DATE WILL BE REJECTED.**

---

## TABLE OF CONTENTS

---

| <u>SECTION</u>   | <u>PAGE</u> |
|--|-------------|
| DEFINITIONS.....   | 2           |
| CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS.....   | 8           |
| INDICATIVE TIMETABLE.....  | 9           |
| LETTER TO SECURITYHOLDERS.....   | 10          |
| 1. INTRODUCTION.....   | 10          |
| 2. THE OFFER.....  | 11          |
| 3. CONVERTIBLE BONDS OFFER.....  | 15          |
| 4. INFORMATION ON THE OFFEROR.....   | 18          |
| 5. IRREVOCABLE UNDERTAKINGS.....   | 18          |
| 6. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR FSL TRUST.....   | 19          |
| 7. LISTING STATUS AND COMPULSORY ACQUISITION.....  | 20          |
| 8. DIRECTORS' INTERESTS.....   | 21          |
| 9. ADVICE AND RECOMMENDATION IN RESPECT OF THE OFFER AND THE<br>CONVERTIBLE BONDS OFFER.....                                     | 21          |
| 10. OVERSEAS PERSONS.....  | 24          |
| 11. INFORMATION PERTAINING TO SRS INVESTORS.....   | 26          |
| 12. ACTION TO BE TAKEN.....  | 27          |
| 13. DIRECTORS' RESPONSIBILITY STATEMENT.....   | 27          |
| 14. ADDITIONAL GENERAL INFORMATION.....  | 27          |
| APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS.....   | I-1         |
| APPENDIX II – ADDITIONAL GENERAL INFORMATION.....  | II-1        |
| APPENDIX III – EXTRACTS OF TRUST DEED.....   | III-1       |
| APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP<br>FOR FY2018.....  | IV-1        |
| APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE<br>GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019..... | V-1         |

---

## DEFINITIONS

---

In this Circular, the following definitions apply throughout unless the context otherwise requires:

|  |  |
|--|--|
| <b>“3M2019”</b>                        | The three (3)-month period ended 31 March 2019   |
| <b>“Acceptance Forms”</b>              | The FAA and the FAT collectively or any one of them, as the case may be  |
| <b>“Board of Directors” or “Board”</b> | The board of Directors of the Trustee-Manager for the time being   |
| <b>“Bondholder”</b>                    | VGO Special Situations I (Luxembourg) S.á r.l.   |
| <b>“Bond Subscription Agreement”</b>   | 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)  |
| <b>“Bridging Loan”</b>                 | Shall have the meaning ascribed to it in section 7 of Appendix II to this Circular   |
| <b>“Bridging Loan Agreement”</b>       | Shall have the meaning ascribed to it in section 7 of Appendix II to this Circular   |
| <b>“Business Day”</b>                  | A day (other than a Saturday, a Sunday or a gazetted public holiday) on which commercial banks are open for business in Singapore  |
| <b>“Business Trusts Act”</b>           | The Business Trusts Act, Chapter 31A of Singapore, as may be amended, modified or supplemented from time to time   |
| <b>“CDP”</b>                           | The Central Depository (Pte) Limited   |
| <b>“CICF”</b>                          | CEL Impetus Corporate Finance Pte Ltd  |
| <b>“Circular”</b>                      | This circular to Securityholders dated 12 July 2019  |
| <b>“Code”</b>                          | The Singapore Code on Take-overs and Mergers, as may be amended, supplemented or modified from time to time  |
| <b>“Companies Act”</b>                 | The Companies Act, Chapter 50 of Singapore, as may be amended, modified or supplemented from time to time  |
| <b>“Concert Party Group”</b>           | The Offeror and the Trustee-Manager  |
| <b>“Convertible Bonds”</b>             | The convertible bonds in a principal amount of US\$7,250,000, which are convertible into such number of new Units, at a conversion price of S\$0.05644 per Unit (following the adjustment made to such conversion price as a result of the Preferential Offering in accordance with the terms and conditions of the Convertible Bonds as contained in the Bond Subscription Agreement) |
| <b>“Convertible Bonds Offer”</b>       | The conditional offer by CICF, for and on behalf of the Offeror, to acquire the Convertible Bonds other than those already owned, controlled or agreed to be acquired by the Concert Party Group, in accordance with the terms and conditions set out in the Offer Document  |

---

## DEFINITIONS

---

|  |   |
|--|---|
| <b>“Convertible Bonds Offer Price”</b> | <p>(i) For every US\$1,000 principal amount of Convertible Bonds, S\$1,413.89 in cash; or</p> <p>(ii) For every US\$100,000 principal amount of Convertible Bonds, S\$141,389.00 in cash,</p> <p>based on an exchange rate as quoted in Bloomberg L.P. of US\$1:S\$1.3641 as of 6 June 2019, being the Last Trading Day</p> |
| <b>“Directors”</b>                     | The directors of the Trustee-Manager (including the Independent Directors) as at the Latest Practicable Date  |
| <b>“Excluded Directors”</b>            | Mr. Efstathios Topouzoglou and Mr. Michail Chalkias   |
| <b>“Excluded Document”</b>             | The IFA Letter as set out in Appendix I to this Circular  |
| <b>“FAA”</b>                           | Form of Acceptance and Authorisation for Offer Units, which forms part of the Offer Document and which is issued to Unitholders whose Units are deposited with CDP  |
| <b>“FAT”</b>                           | Form of Acceptance and Transfer for Offer Units, which forms part of the Offer Document and which is issued to Unitholders whose Units are not deposited with CDP   |
| <b>“Final Closing Date”</b>            | 5.30 p.m. (Singapore time) on 14 August 2019, such date being the last day for the lodgement of acceptances for the Offer and the Convertible Bonds Offer   |
| <b>“FSL Trust” or “FSLT”</b>           | First Ship Lease Trust  |
| <b>“FSL Trust Securities”</b>          | <p>(i) Units; or</p> <p>(ii) securities which carry voting rights in FSL Trust; or</p> <p>(iii) convertible securities, warrants, options or derivatives in respect of (i) or (ii)</p>  |
| <b>“FSL-25”</b>                        | FSL-25 Pte. Ltd.  |
| <b>“FSL-26”</b>                        | FSL-26 Pte. Ltd.  |
| <b>“FY”</b>                            | Financial year ended or ending (as the case may be) on 31 December of a particular year as stated   |
| <b>“Group”</b>                         | FSL Trust and its subsidiaries  |
| <b>“IFA”</b>                           | Stirling Coleman Capital Limited, the independent financial adviser to the Independent Directors in respect of the Offer and the Convertible Bonds Offer  |
| <b>“IFA Letter”</b>                    | The letter dated 12 July 2019 by the IFA to the Independent Directors containing, <i>inter alia</i> , the advice of the IFA to the Independent Directors in respect of the Offer and the Convertible Bonds Offer, as set out in Appendix I to this Circular   |

---

## DEFINITIONS

---

|   |   |
|---|---|
| <b>“Independent Directors”</b>            | The directors of the Trustee-Manager who are regarded to be independent for the purposes of making a recommendation to the Securityholders in respect of the Offer and the Convertible Bonds Offer respectively, namely Mr. Michael Gray, Mr. Michael Oliver and Mr. Narayanan Sreenivasan              |
| <b>“Last Trading Day”</b>                 | 6 June 2019, being the last Market Day on which the Units were traded prior to the Offer Announcement Date  |
| <b>“Latest Practicable Date”</b>          | 1 July 2019, being the latest practicable date prior to the printing of this Circular   |
| <b>“Letter to Bondholder”</b>             | The letter to the Bondholder dated 28 June 2019, and any supplemental documents as may be issued by or on behalf of the Offeror from time to time, in respect of the Convertible Bonds Offer  |
| <b>“Listing Manual”</b>                   | The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date   |
| <b>“Market Day”</b>                       | A day on which the SGX-ST is open for trading of securities   |
| <b>“Maximum Potential Total Units”</b>    | The total number of Units which would be in issue if all the Convertible Bonds were validly converted as at the date of such declaration  |
| <b>“Minimum Acceptance Condition”</b>     | Shall have the meaning ascribed to it in section 2.5 of this Circular   |
| <b>“Offer”</b>                            | The mandatory conditional cash offer made by CICF, for and on behalf of the Offeror, to acquire all the Offer Units on the terms and conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror |
| <b>“Offer Announcement”</b>               | The announcement issued by CICF, for and on behalf of the Offeror, on the Offer Announcement Date in relation to the Offer and the Convertible Bonds Offer  |
| <b>“Offer Announcement Date”</b>          | 7 June 2019, being the date of the Offer Announcement   |
| <b>“Offer Document”</b>                   | The offer document dated 28 June 2019 issued by CICF, for and on behalf of the Offeror, in respect of the Offer and the Convertible Bonds Offer, and any supplemental documents as may be issued by or on behalf of the Offeror from time to time   |
| <b>“Offer Document LPD”</b>               | 21 June 2019, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document  |
| <b>“Offer Price”</b>                      | S\$0.0585 in cash for each Offer Unit   |
| <b>“Offer Unconditional Announcement”</b> | The announcement released by CICF, for and on behalf of the Offeror, relating to the Offer and the Convertible Bonds Offer being declared unconditional in all respects on 3 July 2019  |
| <b>“Offer Unconditional Date”</b>         | 3 July 2019   |

---

## DEFINITIONS

---

|                                     |  |
|-------------------------------------|--|
| <b>“Offer Units”</b>                | (i) All the issued Units in FSL Trust other than those already owned, controlled or agreed to be acquired by the Concert Party Group; and<br><br>(ii) all new Units unconditionally issued or to be issued pursuant to the valid conversion of any Convertible Bonds prior to the close of the Offer   |
| <b>“Offeror”</b>                    | FSL Holdings Pte. Ltd.   |
| <b>“Offeror Securities”</b>         | (i) Offeror Shares; or<br><br>(ii) securities which carry voting rights in the Offeror; or<br><br>(iii) convertible securities, warrants, options or derivatives in respect of (i) or (ii)   |
| <b>“Offeror Shares”</b>             | Issued and paid-up ordinary shares in the share capital of the Offeror   |
| <b>“Overseas Persons”</b>           | Unitholders whose mailing addresses are outside of Singapore as shown on the Register or in the records of CDP, as the case may be   |
| <b>“PMCHI”</b>                      | PMC Holding Inc.   |
| <b>“Preferential Offering”</b>      | The non-renounceable non-underwritten preferential offering by FSL Trust of 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 relevant books closure date, which were issued on 7 June 2019. Further details of the Preferential Offering are set out in FSL Trust’s circular dated 4 April 2019 |
| <b>“PSI”</b>                        | Prime Shareholdings Inc.   |
| <b>“Register”</b>                   | The register of holders of Units as maintained by the Unit Registrar   |
| <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> | The Securities and Futures Act, Chapter 289 of Singapore, as may be amended, modified or supplemented from time to time  |
| <b>“Securityholders”</b>            | Unitholders and the Bondholder collectively  |
| <b>“Set-Off Agreement”</b>          | Shall have the meaning ascribed to it in section 7 of Appendix II to this Circular   |
| <b>“SGX-ST”</b>                     | Singapore Exchange Securities Trading Limited  |
| <b>“SIC”</b>                        | Securities Industry Council of Singapore   |
| <b>“SRS”</b>                        | Supplementary Retirement Scheme  |
| <b>“SRS Agent Banks”</b>            | Agent banks included under the SRS   |

---

## DEFINITIONS

---

|                                    |  |
|------------------------------------|--|
| “SRS Investors”                    | Investors who have purchased Units using their SRS contributions pursuant to the SRS   |
| “TORM”                             | Torm Singapore Pte. Ltd.   |
| “Trust Deed”                       | Deed of trust dated 19 March 2007 (as amended by a supplemental deed dated 20 April 2010 and a second supplemental deed dated 6 April 2011) constituting FSL Trust   |
| “Trustee-Manager”                  | FSL Trust Management Pte. Ltd., as trustee-manager of FSL Trust  |
| “Unitholders”                      | 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 |
| “Unit”                             | A unit representing an undivided interest in FSL Trust, and the term “Units” shall be construed accordingly  |
| “Unit Registrar”                   | Boardroom Corporate & Advisory Services Pte. Ltd.  |
| <b><u>Units and currencies</u></b> |  |
| “US\$”                             | United States Dollars, being the lawful currency of the United States of America   |
| “\$” or “S\$” and “cents”          | Singapore dollars and cents, respectively, being the lawful currency of Singapore  |
| “%” or “per cent.”                 | Per centum or percentage   |

All references to “FSL Trust” are to it acting through the Trustee-Manager.

**Acting in Concert.** The expression “acting in concert” shall have the meaning ascribed to it in the Code.

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

**Subsidiaries and related corporations.** The terms “subsidiary” and “related corporation” shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act.

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

**Headings.** The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

**Rounding.** Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be arithmetic aggregations of the figures that precede them.

**Securityholders.** References to “you”, “your” and “yours” in this Circular are, as the context so determines, to Securityholders.

---

## DEFINITIONS

---

**Statutes.** 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 in the Business Trusts Act, the Companies Act, the Securities and Futures Act, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Business Trusts Act, the Companies Act, the Securities and Futures Act, the Listing Manual or the Code, or any modification thereof, as the case may be, unless the context otherwise requires.

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

**Total Number of issued Units.** Any reference in this Circular to the total number of issued Units is a reference to a total of 1,593,641,442 Units as at the Latest Practicable Date, unless otherwise stated.

**Statements which are reproduced in their entirety from the Offer Document, the Letter to Bondholder, the IFA Letter and the Trust Deed are set out in this Circular within quotes and/or in *italics*, and capitalised terms used within these reproduced statements shall bear the meanings ascribed to them in the Offer Document, the Letter to Bondholder, the IFA Letter and the Trust Deed respectively.**



---

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

---

*All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “shall”, “should”, “could”, “may” and “might”. These statements reflect the Trustee-Manager’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking 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 statements. Unitholders should not place undue reliance on such forward-looking statements, and neither the Trustee-Manager nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.*

---

## INDICATIVE TIMETABLE

---

|   |   |  |
|---|---|--|
| Date of despatch of the Offer Document  | : | 28 June 2019   |
| Date of despatch of this Circular   | : | 12 July 2019   |
| Final Closing Date and time <sup>(1)</sup>  | : | <b>5.30 p.m. (Singapore time) on 14 August 2019, being the last date and time for the lodgement of acceptances of the Offer</b>  |
| Date of settlement of consideration for valid acceptances of the Offer <sup>(2)</sup> | : | (a) In respect of acceptances of the Offer which are complete in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days after the Offer becomes or is declared unconditional in all respects; or<br><br>(b) In respect of acceptances of the Offer which are complete in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) Business Days of the date of such receipt. |

**Notes:**

- (1) Please refer to the Offer Unconditional Announcement and paragraph 1.1 of Appendix 1 to the Offer Document for further details.
- (2) Please refer to the Offer Unconditional Announcement and paragraph 2.1 of Appendix 1 to the Offer Document for further details.

---

## LETTER TO SECURITYHOLDERS

---

### FIRST SHIP LEASE TRUST

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

## LETTER TO SECURITYHOLDERS

#### 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

12 July 2019

To: The Securityholders of the Company

Dear Sir/Madam,

#### **MANDATORY CONDITIONAL CASH OFFER BY CEL IMPETUS CORPORATE FINANCE PTE LTD FOR AND ON BEHALF OF FSL HOLDINGS PTE. LTD.**

#### **1. INTRODUCTION**

##### **1.1 Offer Announcement**

On 7 June 2019, CICF announced, for and on behalf of the Offeror, *inter alia*, that the Concert Party Group was issued in aggregate 719,353,464 Units on 7 June 2019 pursuant to the Preferential Offering, thereby resulting in the Concert Party Group holding an aggregate of 877,231,095 Units, representing approximately 55.04% of the total number of issued Units after the Preferential Offering, and approximately 49.59% of the Maximum Potential Total Units. Accordingly, the Offeror intends to make a mandatory conditional cash offer for (i) all the issued and paid-up ordinary Units, other than those already owned, controlled or agreed to be acquired by the Offeror and the Trustee-Manager as at the date of the Offer Announcement; and (ii) all new units unconditionally issued or to be issued pursuant to the valid conversion, prior to the close of the Offer, of the Convertible Bonds issued under the Bond Subscription Agreement. Further, according to the Offer Announcement, CICF, for and on behalf of the Offeror, will also make an offer to the Bondholder to acquire the Convertible Bonds issued under the Bond Subscription Agreement, subject to the Offer becoming or being declared unconditional and the Convertible Bonds continuing to be transferable and convertible into new Units.

A copy of the Offer Announcement dated 7 June 2019 is available on the website of the SGX-ST at <http://www.sgx.com>.

##### **1.2 Offer and Convertible Bonds Offer declared unconditional in all respects**

On 3 July 2019, CICF announced, for and on behalf of the Offeror, *inter alia* that as at 5.30 p.m. (Singapore time) on 3 July 2019, the Units owned, controlled or agreed to be acquired by the Concert Party Group (either before or during the Offer and pursuant to the Offer or otherwise) result in the Concert Party Group holding such number of Units carrying more than 50% of the voting rights attributable to the Maximum Potential Total Units.<sup>1</sup>

---

<sup>1</sup> Based on the Offer Unconditional Announcement, "Maximum Potential Total Units" refers to the total number of issued and paid-up Units of 1,768,866,903 Units (assuming all the Convertible Bonds were validly converted as described in the Offer Announcement of 7 June 2019), unless otherwise stated therein.

---

## LETTER TO SECURITYHOLDERS

---

As stated in the Offer Unconditional Announcement, as at 5.30 p.m. (Singapore time) on 3 July 2019, the total number of (a) Units owned, controlled or agreed to be acquired by the Concert Party Group; and (b) valid acceptances to the Offer, amount to an aggregate of 888,680,295 Units, representing approximately 55.76% of the total number of issued Units and approximately 50.24% of the Maximum Potential Total Units.<sup>2</sup>

**Accordingly, based on the Offer Unconditional Announcement, the Minimum Acceptance Condition has been satisfied and the Offer is declared unconditional in all respects on 3 July 2019.**

**In addition, based on the Offer Unconditional Announcement, the Convertible Bonds Offer, which is conditional upon the Offer being declared unconditional in all respects, is also declared unconditional in all respects on 3 July 2019.**

### 1.3 Offer Document and Letter to Bondholder

Securityholders should by now have received a copy of the Offer Document and/or Letter to Bondholder, as announced by CICF, for and on behalf of the Offeror, to have been despatched on 28 June 2019, setting out, *inter alia*, the terms and conditions of the Offer and/or the Convertible Bonds Offer. The principal terms and conditions of the Offer is set out in section 2 of the Offer Document and Appendix 1 to the Offer Document, and the principal terms and conditions of the Convertible Bonds Offer is set out in section 3 of the Offer Document and the Letter to Bondholder.

**Securityholders are advised to read the terms and conditions of the Offer and/or the Convertible Bonds Offer set out in the Offer Document and/or the Letter to Bondholder carefully.**

A copy of the Offer Document is available on the website of the SGX-ST at <http://www.sgx.com>.

### 1.4 Independent Financial Adviser

Stirling Coleman Capital Limited has been appointed as the IFA to the Independent Directors in respect of the Offer and the Convertible Bonds Offer. The advice of the IFA is set out in the IFA Letter in Appendix I to this Circular.

### 1.5 Purpose of this Circular

The purpose of this Circular is to provide Securityholders with relevant information pertaining to the Offer and the Convertible Bonds Offer, and to set out the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in respect of the Offer and the Convertible Bonds Offer.

**Securityholders should read the Offer Document, the Letter to Bondholder (if applicable), the Offer Unconditional Announcement, this Circular and the IFA Letter carefully and consider the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors set out in this Circular before deciding whether or not to accept the Offer or the Convertible Bonds Offer, as the case may be.**

**If you are in any doubt about the Offer and/or the Convertible Bonds Offer, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.**

## 2. THE OFFER

Based on information set out in the Offer Document, CICF has, for and on behalf of the Offeror, made the Offer to acquire all the Offer Units on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out in *italics* below. All terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

---

<sup>2</sup> *Ibid*

---

## LETTER TO SECURITYHOLDERS

---

### 2.1 Offer Price

Section 2.2 of the Offer Document states that the Offer Price for each Offer Unit will be as follows:

***“For each Offer Unit: S\$0.0585 in cash”***

Section 2.2 of the Offer Document further states, *inter alia*, the following:

***“The Offeror does not intend to increase the Offer Price, save that the Offeror reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, save in a competitive situation, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price, in any way.”***

### 2.2 Offer Units

Section 2.1 of the Offer Document states that the Offer will be made for all the Offer Units, subject to the terms and conditions set out in the Offer Document. Based on the Offer Document, the Offer Units comprise:

- (i) all the issued Units in FSL Trust other than those already owned, controlled or agreed to be acquired by the Concert Party Group; and
- (ii) all new Units unconditionally issued or to be issued pursuant to the valid conversion of any Convertible Bonds prior to the close of the Offer.

### 2.3 No Encumbrances

Section 2.3 of the Offer Document states the following:

*“The Offer Units are to be acquired:*

- (a) *fully paid;*
- (b) *free from any claim, charge, pledge, mortgage, lien, option, equity, power of sale, declaration of trust, hypothecation, retention of title, right of pre-emption, right of first refusal, moratorium or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing; and*
- (c) *together with all rights, benefits and entitlements as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, other distributions and/or return of capital (if any) declared, paid or made by FSL Trust in respect of the Offer Units on or after the Offer Announcement Date (collectively, the “Distributions”).”*

### 2.4 Adjustment for Distributions

Section 2.4 of the Offer Document states, *inter alia*, the following:

*“Without prejudice to the foregoing, the Offer Price has been determined on the basis that the Offer Units will be acquired with the right to receive any Distribution that may be declared, paid or made by FSL Trust on or after the Offer Announcement Date.*

*Accordingly, in the event any Distribution is or has been declared, paid or made by FSL Trust in respect of the Offer Units on or after the Offer Announcement Date to a Unitholder who validly accepts the Offer (the “Accepting Unitholder”), the Offer Price payable to such Accepting Unitholders shall be reduced by an amount which is equal to the amount of such Distribution, depending on when the settlement date in respect of the Offer Units tendered in acceptance of the Offer by the Accepting Unitholder falls, as follows:*

---

## LETTER TO SECURITYHOLDERS

---

- (a) *if such settlement date falls on or before the books closure date for the determination of entitlements to the Distribution (the “**Books Closure Date**”), the Offer Price for each Offer Unit shall remain unadjusted and the Offeror shall pay the Accepting Unitholder the unadjusted Offer Price for each Offer Unit, as the Offeror will receive the Distribution in respect of such Offer Unit from FSL Trust; or*
- (b) *if such settlement date falls after the Books Closure Date, the Offer Price for each Offer Unit shall be reduced by an amount which is equal to the amount of the Distribution in respect of each Offer Unit (the Offer Price after such reduction, the “**Adjusted Offer Price**”) and the Offeror shall pay the Accepting Unitholder the Adjusted Offer Price for each Offer Unit, as the Offeror will not receive the Distribution in respect of such Offer Unit from FSL Trust.”*

### 2.5 Minimum Acceptance Condition

Section 2.5 of the Offer Document states, *inter alia*, the following:

*“The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Units which, when taken together with the Units owned, controlled or agreed to be acquired by the Concert Party Group (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Concert Party Group holding such number of Units carrying more than 50% of the voting rights attributable to the issued Units (excluding any treasury Units) as at the close of the Offer (“**Minimum Acceptance Condition**”).*

*Accordingly, the Offer will not become or be capable of being declared to be unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Units which, together with Units owned, controlled or agreed to be acquired before or during the Offer by or on behalf of the Concert Party Group, will result in the Concert Party Group holding such number of Units representing more than 50% of the voting rights attributable to the Maximum Potential Total Units. For these purposes, the “**Maximum Potential Total Units**” means the total number of Units which would be in issue if all the Convertible Bonds were validly converted as at the date of such declaration*

*The Offer is not subject to any other condition.”*

On the Offer Unconditional Date, CICF announced, for and on behalf of the Offeror, *inter alia* that as at 5.30 p.m. (Singapore time) on 3 July 2019, the Units owned, controlled or agreed to be acquired by the Concert Party Group (either before or during the Offer and pursuant to the Offer or otherwise) result in the Concert Party Group holding such number of Units carrying more than 50% of the voting rights attributable to the Maximum Potential Total Units.<sup>3</sup>

**Accordingly, based on the Offer Unconditional Announcement, the Minimum Acceptance Condition has been satisfied and the Offer is declared unconditional in all respects on the Offer Unconditional Date.**

### 2.6 Warranty

Section 2.6 of the Offer Document states the following:

*“A Unitholder who tenders his Offer Units in acceptance of the Offer will be deemed to warrant that he sells such Offer Units as or on behalf of the beneficial owner(s) thereof, (i) fully paid; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all Distribution (if any) declared, paid or made by FSL Trust on or after the Offer Announcement Date.”*

---

<sup>3</sup> *Ibid*

---

## LETTER TO SECURITYHOLDERS

---

### 2.7 Duration of the Offer

Paragraph 1 of Appendix 1 to the Offer Document states, *inter alia*, the following:

**“1. DURATION OF THE OFFER**

**1.1. First Closing Date**

*Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptance by Unitholders for at least 28 days from the Despatch Date.*

**Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 26 July 2019 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

**1.2. Subsequent Closing Date(s)**

*If there is an extension of the Offer, pursuant to Rule 22.4 of the Code, any announcement of an extension will state the next Closing Date or if the Offer is unconditional as to acceptances, a statement may be made that the Offer will remain open until further notice. In the latter case, the Unitholders who have not accepted the Offer will be notified in writing at least 14 days before the Offer is closed.*

**1.3. Offer to Remain Open for 14 Days after being Declared Unconditional as to Acceptances**

*Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the “**Rule 22.6 Period**”) for not less than 14 days after the date on which it would otherwise have closed, in order to give Unitholders who have not accepted the Offer the opportunity to do so. This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given the Unitholders notice in writing of at least 14 days (the “**Shut-Off Notice**”) that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:*

- (a) the Offeror may not give a Shut-Off Notice in a competitive situation; and*
- (b) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.*

*For these purposes, the SIC would normally regard a “competitive situation” to have arisen if a competing offer for FSL Trust has been announced.*

*If a declaration that the Offer is unconditional is confirmed in accordance with Rule 28.1 of the Code, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.*

**1.4. Final Day Rule**

*The Offer (whether revised or not) will not be capable of:*

- (a) becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or*
- (b) being kept open after the expiry of such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,*

*provided that the Offeror may extend the Offer beyond such 60-day period with the SIC’s prior consent (the “**Final Day Rule**”). The SIC will normally grant such permission if a competing offer has been announced.*

---

## LETTER TO SECURITYHOLDERS

---

### 1.5. **Revision**

*Pursuant to Rule 20.1, the Offer, if revised, will remain open for acceptance for a period of at least 14 days from the date of despatch of the written notification of the revision to the Unitholders, as the case may be. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to the Unitholders, including those who had previously accepted the Offer.*

*As set out in paragraph 2.2 of this Letter, the Offeror does not intend to increase the Offer Price save that the Offeror reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, except in a competitive situation, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price, in any way."*

**Securityholders should note that based on the Offer Unconditional Announcement, the Offer will remain open for acceptance until 5.30 p.m. (Singapore time) on 14 August 2019, and the Offeror has no intention of extending the Offer beyond the Final Closing Date. Accordingly, based on the Offer Unconditional Announcement, the Offer will not be open for acceptance beyond 5:30 p.m. on the Final Closing Date, and acceptances received after 5:30 p.m. on the Final Closing Date will be rejected.**

### 2.8 **Details of the Offer**

The Offer is made in accordance with the principal terms and conditions as set out in the Offer Document. Further details of the Offer on, *inter alia*, (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.

### 2.9 **Procedures for Acceptance**

The procedures for acceptance of the Offer are set out in Appendix 2 to the Offer Document and the accompanying FAA and/or FAT (as the case may be).

## 3. **CONVERTIBLE BONDS OFFER**

In addition to extending the Offer to all new Units unconditionally issued or to be issued pursuant to the valid conversion, prior to the close of the Offer, of the Convertible Bonds, in accordance with Rule 19 of the Code, CICF, for and on behalf of the Offeror, will also make a conditional offer to the Bondholder to acquire the Convertible Bonds other than those already owned, controlled or agreed to be acquired by the Concert Party Group in accordance with the terms and conditions set out in the Offer Document and/or the Letter to Bondholder.

The principal terms and conditions of the Convertible Bonds Offer, as extracted from the Offer Document and the Letter to Bondholder respectively, are set out in *italics* below. Further details on the Convertible Bonds Offer, including the procedures for acceptance of the Convertible Bonds Offer, are also set out in the Letter to Bondholder. All terms and expressions used in the extracts below shall have the same meanings as those defined in the Offer Document or the Letter to Bondholder (as the case may be), unless otherwise stated.



---

## LETTER TO SECURITYHOLDERS

---

### 3.1 Convertible Bonds Offer Price

Section 3.4 of the Offer Document and section 3.4 of the Letter to Bondholder states that the Convertible Bonds Offer Price will be as follows:

*“In accordance with Note 1 to Rule 19 of the Code, the Convertible Bonds Offer Price is computed on a “see-through” basis. In other words, the Convertible Bonds Offer Price will be the Offer Price multiplied by the number of new Units into which the principal amount of the Convertible Bonds tendered in acceptance of the Convertible Bonds Offer may be converted. The Bondholder will not receive payments for any fractional new Units. Accordingly, the Convertible Bonds Offer Price will be as follows:*

***For every US\$1,000 principal amount of Convertible Bonds: S\$1,413.89 in cash<sup>2</sup>; or***

***For every US\$100,000 principal amount of Convertible Bonds: S\$141,389.00 in cash<sup>3</sup>.”***

Section 3.6 of the Offer Document and section 3.6 of the Letter to Bondholder further states the following:

*“Pursuant to Condition 2.1 of the terms and conditions of the Bond Subscription Agreement, the Convertible Bonds are issued in registered form in the denomination of US\$100,000 or integral multiples of US\$1,000 thereof. Accordingly, the Bondholder should accept the Convertible Bond Offer in integral multiples of US\$1,000 in principal amount of Convertible Bonds and in any case not less than US\$100,000 in principal amount of Convertible Bonds.”*

### 3.2 Adjustment for Distributions

Section 3.5 of the Offer Document and section 3.5 of the Letter to Bondholder states, *inter alia*, the following:

*“If any payment of interest or distribution is made or paid by FSL Trust or any right arises (for any reason whatsoever) on or after the Announcement Date for the benefit of the Bondholder who accepts or has accepted the Convertible Bonds Offer, the Offeror reserves the right to reduce the Convertible Bonds Offer Price payable to such accepting Bondholder by the amount of such interest, distribution or right.”*

### 3.3 No Encumbrances

Section 3.7 of the Offer Document and section 3.7 of the Letter to Bondholder states the following:

*“The Convertible Bonds will be acquired:*

- (a) free from all Encumbrances; and*
- (b) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including but not limited to all voting rights and the right to receive and retain all dividends, rights, distributions, returns of capital and any other entitlements (if any) which may be announced, declared, paid or made thereon by FSL Trust, on or after the Offer Announcement Date together with all interest accrued thereon.”*

---

<sup>2</sup> Based on an exchange rate as quoted in Bloomberg L.P. of US\$1:S\$1.3641 as of 6 June 2019, being the Last Trading Day.”

<sup>3</sup> Based on an exchange rate as quoted in Bloomberg L.P. of US\$1:S\$1.3641 as of 6 June 2019, being the Last Trading Day.”

---

## LETTER TO SECURITYHOLDERS

---

### 3.4 Conditions to the Convertible Bonds Offer

Section 3.3 of the Offer Document and section 3.3 of the Letter to Bondholder states the following:

*“The Convertible Bonds Offer will be conditional on:*

- (a) the Offer becoming or being declared unconditional in all respects in accordance with its terms; and*
- (b) the Convertible Bonds continuing to be transferable to the Offeror and convertible into new Units.”*

Section 3.1 of the Offer Document and section 3.1 of the Letter to Bondholder further states, *inter alia*, the following:

*“Under the Bond Subscription Agreement, the Bondholder may not exercise its right to sell, transfer or assign the Convertible Bonds (the “**Transferred Bonds**”) if (i) the Transferred Bonds are being sold, transferred or assigned to any of the persons set forth in Rule 812(1) of the Listing Manual (“**Restricted Persons**”) or (ii) the conversion of the Transferred Bonds into new Units would result in FSL Trust issuing new Units to transfer a controlling interest (as defined in the Listing Manual), unless the prior approval of the Unitholders has been obtained. As a Substantial Unitholder of FSL Trust, the Offeror is a Restricted Person. Accordingly, Convertible Bonds are not transferable by the Bondholder to the Offeror without the prior approval of Unitholders having been obtained. As of the Latest Practicable Date, FSL Trust has not obtained the approval of Unitholders for the transfer of the Convertible Bonds to the Offeror.”*

As set out in sections 1.2 and 2.5 above, the Offer is declared unconditional in all respects on the Offer Unconditional Date.

**Accordingly, based on the Offer Unconditional Announcement, the Convertible Bonds Offer, which is conditional upon the Offer being declared unconditional in all respects, is also declared unconditional in all respects on the Offer Unconditional Date.**

### 3.5 Warranty

Section 3.8 of the Offer Document and section 3.8 of the Letter to Bondholder states the following:

*“A Bondholder who tenders his Convertible Bonds in acceptance of the Convertible Bond Offer will be deemed to warrant that he sells such Convertible Bonds as or on behalf of the beneficial owner(s) thereof, (i) free from all Encumbrances; and (ii) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto, including the right to receive and retain all dividends, rights, distributions, returns of capital and any other entitlements (if any) which may be announced, declared, paid or made by FSL Trust on or after the Offer Announcement Date together with all interest accrued thereon.”*

---

## LETTER TO SECURITYHOLDERS

---

### 3.6 Offer and Convertible Bonds Offer Mutually Exclusive

Section 3.9 of the Offer Document and section 3.9 of the Letter to Bondholder states, *inter alia*, the following:

*“For the avoidance of doubt, while the Convertible Bonds Offer is conditional upon the Offer becoming or being declared unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Convertible Bonds Offer. The Offer and the Convertible Bonds Offer are separate and are mutually exclusive. The Convertible Bonds Offer does not form part of the Offer, and vice versa.*

*Without prejudice to the foregoing, if the Bondholder converts its Convertible Bonds in order to accept the Offer in respect of the new Units to be issued pursuant to such conversion, it may not accept the Convertible Bonds Offer in respect of such converted Convertible Bonds. Conversely, if the Bondholder wishes to accept the Convertible Bonds Offer in respect of its Convertible Bonds, it may not convert those Convertible Bonds in order to accept the Offer in respect of the new Units to be issued pursuant to such conversion.”*

### 4. INFORMATION ON THE OFFEROR

Information on the Offeror is set out in section 4 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated:

**4. INFORMATION ON THE OFFEROR**

4.1. *The Offeror is a holding company incorporated in Singapore on 18 October 2006 as a private limited company. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US\$88,351,656, comprising 84,986,683 ordinary shares. The Offeror is the Sponsor of FSL Trust and the sole shareholder of the Trustee-Manager.*

4.2. *As at the Latest Practicable Date, the Offeror Directors are Efstathios Topouzoglou, Michail Chalkias and Valerie Lim Lee Huang, and the sole shareholder of the Offeror is PSI, a company incorporated in the Marshall Islands.*

4.3. *As at the Latest Practicable Date:*

(a) *the Offeror holds 869,298,018 Units, representing approximately 54.55% of the total issued Units and approximately 49.14% of the Maximum Potential Total Units;*

(b) *the Trustee-Manager, holds 8,617,577 Units, representing approximately 0.54% of the total issued Units and approximately 0.49% of the Maximum Potential Total Units; and*

(c) *the Concert Party Group, comprising the Offeror and the Trustee-Manager holds in aggregate 877,915,595 Units, representing approximately 55.09% of the total issued Units and approximately 49.63% of the Maximum Potential Total Units*

4.4. *Appendix 3 to this Offer Document sets out additional information on the Offeror.”*

### 5. IRREVOCABLE UNDERTAKINGS

Section 10.2 of the Offer Document states that as at the Offer Document LPD, none of the Concert Party Group has, *inter alia*, received any irrevocable undertaking from any party to accept or reject the Offer in respect of any FSL Trust Securities.

---

## LETTER TO SECURITYHOLDERS

---

### 6. RATIONALE FOR THE OFFER AND THE OFFEROR'S INTENTIONS FOR FSL TRUST

The full text of the rationale for the Offer and the Offeror's intentions for FSL Trust has been extracted from sections 6 and 7 of the Offer Document, respectively, and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Securityholders are advised to read the extract below carefully.**

**“6. RATIONALE FOR THE OFFER**

*The Offeror is making the Offer in compliance with the requirements of the Code, as the Concert Party Group was issued in aggregate 719,353,464 Units pursuant to the Preferential Offering. On the date of issuance of the New Units pursuant to the Preferential Offering, the unitholding of the Concert Party Group in FSL Trust increased from an aggregate of 157,877,631 Units, representing 24.77% before the Preferential Offering, to 877,231,095 Units (including the New Units issued pursuant to the Preferential Offering), representing approximately 55.04% of the total issued Units as of the Offer Announcement Date and approximately 49.59% of the Maximum Potential Total Units.*

**7. OFFEROR'S INTENTIONS IN RELATION TO FSL TRUST**

*The Offeror is currently the controlling Unitholder of FSL Trust. It is the current intention of the Offeror that FSL Trust continues with its existing activities and there are presently no plans to (i) make any material changes to FSL Trust's existing business, (ii) re-deploy any of its fixed assets or (iii) discontinue the employment of its existing employees, other than in the ordinary course of business. The Offeror however retains the discretion and flexibility to conduct a review of the operations of FSL Trust and to consider any options or opportunities which may present themselves and which it regards to be in the interests of FSL Trust and its Unitholders following the close of the Offer.”*

The full text of the rationale for the Convertible Bonds Offer has been extracted from section 6 of the Letter to Bondholder, and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Letter to Bondholder, unless otherwise stated. **Securityholders are advised to read the extract below carefully.**

**“6. RATIONALE FOR THE CONVERTIBLE BONDS OFFER**

*The Concert Party Group was issued in aggregate 719,353,464 Units pursuant to the Preferential Offering. On the date of issuance of the New Units pursuant to the Preferential Offering, the unitholding of the Concert Party Group in FSL Trust increased from an aggregate of 157,877,631 Units, representing 24.77% before the Preferential Offering, to 877,231,095 Units (including the New Units issued pursuant to the Preferential Offering), representing approximately 55.04% of the total issued Units as of the Offer Announcement Date and approximately 49.59% of the Maximum Potential Total Units.*

*The Offeror is making the Convertible Bonds Offer in compliance with the requirements of the Code, which requires, inter alia, that where an offer is made for equity share capital and the offeree company has instruments convertible into, rights to subscribe for and options in respect of securities being offered for or which carry voting rights (“stocks”) outstanding, the offeror must make an appropriate offer or proposal to the holders of the stocks. Accordingly, CICF, for and on behalf of the Offeror, is making the Convertible Bond Offer to the Bondholder.”*

---

## LETTER TO SECURITYHOLDERS

---

### 7. LISTING STATUS AND COMPULSORY ACQUISITION

Further information in relation to the listing status of FSL Trust and the compulsory acquisition of Units are set out in section 8 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Securityholders are advised to read the extract below carefully.**

#### **“8. LISTING STATUS AND COMPULSORY ACQUISITION**

##### **8.1. Listing Status**

*Under Rule 723 of the Listing Manual, FSL Trust must ensure that at least 10% of the total number of Units is at all times held by the public (the “Free Float Requirement”).*

*Under Rule 1105 of the Listing Manual, in the event that the Offeror and parties acting in concert with the Offeror should, as a result of the Offer or otherwise, own or control more than 90 per cent. of the Units, the SGX-ST may suspend the trading of the Units on the SGX-ST until such time when the SGX-ST is satisfied that at least 10% of the issued Units are held by at least 500 Unitholders who are members of the public.*

*In addition, under Rule 724 of the Listing Manual, if the Free Float Requirement is not complied with, FSL Trust must, as soon as possible, announce that fact and the SGX-ST may suspend trading of all the Units on the SGX-ST. Rule 725 of the Listing Manual states that the SGX-ST may allow FSL Trust a period of three months, or such longer period as the SGX-ST may agree, for the proportion of the Units held by members of the public to be raised to at least 10%, failing which FSL Trust may be de-listed from the SGX-ST.*

*The Offeror does not have any present intention to actively pursue the delisting of FSL Trust from the Mainboard of the SGX-ST. In the event that the Free Float Requirement is not satisfied at the close of the Offer, the Offeror reserves the right and discretion to assess the options available at that time. Accordingly, there is no assurance that the Offeror will support any action or take any steps to maintain the listing status of FSL Trust on the Mainboard of the SGX-ST in the event that the Free Float Requirement is not satisfied by FSL Trust.*

##### **8.2. Compulsory Acquisition**

*Pursuant to Section 40A(1) of the Business Trusts Act, if the Offeror receives valid acceptances pursuant to the Offer or acquires Offer Units during the offer period otherwise than through valid acceptances of the Offer, in respect of not less than 90% of the total number of Units in issue as at the close of the Offer (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of despatch of the Offer Document and Acceptance Forms), the Offeror will be entitled to exercise its right to compulsorily acquire, at the Offer Price, all Offer Units held by Unitholders who have not accepted the Offer (the “Dissenting Unitholders”).*

*In such event, the Offeror’s present intention is to exercise its right to compulsorily acquire all the Offer Units not acquired under the Offer. The Offeror however reserves the right and discretion, if such event arises, to assess the options available and there is no assurance that the current intention will be carried into effect.*

##### **8.3. Dissenting Unitholders’ Rights**

*Dissenting Unitholders have the right under and subject to Section 40A(4) of the Business Trusts Act to require the Offeror to acquire their Units at the Offer Price in the event that the Offeror or its nominees acquire, pursuant to the Offer, such number of Units which, together with the Units held by the Offeror, its related corporations and/or their respective nominees, comprise 90% or more of the total number of Units in issue. Dissenting Unitholders who wish to exercise such rights are advised to seek their own independent legal advice.”*

---

## LETTER TO SECURITYHOLDERS

---

### 8. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the FSL Trust Securities and the Offeror Securities as at the Latest Practicable Date are set out in Appendix II to this Circular.

### 9. ADVICE AND RECOMMENDATION IN RESPECT OF THE OFFER AND THE CONVERTIBLE BONDS OFFER

#### 9.1 Appointment of the IFA

Stirling Coleman Capital Limited has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer and the Convertible Bonds Offer. Securityholders should read and consider carefully the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors in their entirety before deciding whether or not to accept the Offer or the Convertible Bonds Offer (as the case may be). The advice of the IFA to the Independent Directors is set out in the IFA Letter, which is set out in Appendix I to this Circular.

#### 9.2 Advice of the IFA to the Independent Directors on the Offer and the Convertible Bonds Offer

The following is an extract from section 10 of the IFA Letter and should be read in conjunction with, and interpreted in, the full context of the IFA Letter. All terms and expression used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Securityholders should read and consider carefully the key considerations relied upon by the IFA, in arriving at its advice to the Independent Directors.**

#### **"10. RECOMMENDATION AND CONCLUSION**

##### **10.1 The Offer**

***Having carefully considered the information available to us, and the analysis set out in section 9 of this IFA Letter, and based upon the industry, market, economic and other relevant considerations as at the Latest Practicable Date, and subject to the qualifications and assumptions made herein, we are of the view that, on balance, the financial terms of the OFFER is NOT FAIR BUT REASONABLE.***

*In determining that the Offer is **NOT FAIR**, we have considered the following pertinent factors in our assessment of the Offer:*

- (i) The Offer Price is at a discount of 63.9% to the Adjusted NAV per Unit of the Group as at 31 March 2019;*
- (ii) the Offer Price to Adjusted NAV multiple of 0.4x was within range but below the median (less favourable) of the corresponding ratios of the Comparable Companies; and*
- (iii) the Offer Price to Adjusted NAV multiple of 0.4x was within range but below the median (less favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions;*

*notwithstanding that the Offer Price is at approximately 33.0%, 32.1%, 30.9%, 30.0% and 3.7% premium to the VWAP for the Units on the Last Trading Day and for the period on the 1-month, 3-months, 6-months, and 12-months prior to the Last Trading Day respectively.*

## LETTER TO SECURITYHOLDERS

*In determining that the Offer is **REASONABLE**, we have considered the following pertinent factors in our assessment of the Offer:*

- (i) the premium of the Offer Price over the last transacted price, 1-month and 3-months VWAP for the Units prior to the Offer Announcement Date, are within the comparable range and above the median (more favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions;*
- (ii) the net losses incurred by FSL Trust for 3 consecutive years between FY2016 and FY2018, although we note that the revenue and net income for FSL Trust had improved in 1Q2019 over 1Q2018;*
- (iii) the trading volume of the Units had generally been low in the past 12 months prior to the Offer Announcement Date and ending on the Latest Practicable Date. The Offer will provide an exit option for those Unitholders who wish to realise their investments in the Units but find it difficult to do so as a result of the low trading liquidity;*
- (iv) although the Offeror presently has no intention to actively pursue the delisting of FSL Trust from the Mainboard of the SGX-ST, in the event that the Free Float Requirement is not satisfied by FSL Trust at the close of the Offer, the Offeror reserves the right and discretion to assess its options available at that time. Accordingly, there is no assurance that the Offeror will support any action or take any steps to maintain the listing status of FSL Trust on the Mainboard of the SGX-ST;*
- (v) FSL Trust has not made any distributions since 2012, with the last distribution made on 31 May 2012, with a carried out distribution of US\$0.001 per Unit; and*
- (vi) there is no publicly available evidence of any alternative offer for the Units from any third party.*

**Accordingly, we advise the Directors to recommend that Unitholders ACCEPT the Offer to realise their investment in FSL Trust or sell their Units in the open market if they can obtain a price higher than the Offer Price (after deducting expenses).**

### **10.2 The Convertible Bonds Offer**

**Having carefully considered the information available to us, and the analysis set out in section 9 of this IFA Letter, and based upon the industry, market, economic and other relevant considerations as at the Latest Practicable Date, and subject to the qualifications and assumptions made herein, we are of the view that, on balance, the financial terms of the CONVERTIBLE BONDS OFFER is NOT FAIR BUT REASONABLE.**

*In determining that the Convertible Bonds Offer is **NOT FAIR**, we have considered the following pertinent factors in our assessment:*

- (i) The total Convertible Bonds Offer amount of S\$10,250,702 is 5.6% lower than the total proceeds of S\$10,861,653 that the Bondholder will stand to receive from scheduled interest and principal repayments, if the Bondholder holds the Convertible Bonds till maturity;*

*notwithstanding that the Offer Price is 3.6% higher than the Conversion Price of the Convertible Bond and the Bondholder will be able to immediately realise a profit of 3.6% should it accept the Convertible Bonds Offer.*

---

## LETTER TO SECURITYHOLDERS

---

*In determining that the Convertible Bonds Offer is **REASONABLE**, we have considered the following pertinent factors in our assessment:*

- (i) The Convertible Bonds are not listed and there is no market price for the Convertible Bonds;*
- (ii) The Convertible Bonds Offer provides the Bondholder with the ability to immediately monetize its investment in the Convertible Bonds; and*
- (iii) The Bondholder will continue to be exposed to the credit risk of FSL Trust if it does not accept the Convertible Bonds Offer.*

***Accordingly, we advise the Directors to recommend that the Bondholder ACCEPT the Convertible Bonds Offer or convert its Convertible Bonds into Units and accept the Offer.***

### 9.3 Independence of Directors

Mr. Michael Gray, Mr. Michael Oliver and Mr. Narayanan Sreenivasan are regarded as independent for the purposes of the Offer and the Convertible Bonds Offer and are required to make a recommendation to Securityholders in respect of the Offer and the Convertible Bonds Offer.

As Mr. Efstathios Topouzoglou, the Non-Independent and Non-Executive Chairman of the Trustee-Manager, and Mr. Michail Chalkias, the Non-Independent and Non-Executive Director of the Trustee-Manager, are directors of the Offeror, each of Mr. Efstathios Topouzoglou and Mr. Michail Chalkias (collectively, the “**Excluded Directors**”) is a party presumed to be acting in concert with the Offeror under the Code for the purposes of the Offer and the Convertible Bonds Offer, and would face a conflict of interests in relation to the Offer and the Convertible Bonds Offer that would render each of them inappropriate to join the Independent Directors in making a recommendation to the Securityholders on the Offer and the Convertible Bonds Offer.

The SIC had, on 28 June 2019, ruled that the Excluded Directors are exempted from the requirement to make a recommendation on the Offer and the Convertible Bonds Offer as they face irreconcilable conflicts of interest in doing so, being concert parties of the Offeror.

Nonetheless, all the Directors (including, for the avoidance of doubt, the Excluded Directors) are jointly and severally responsible for the accuracy of facts stated, opinions expressed and completeness of the information given by FSL Trust to Securityholders on the Offer and the Convertible Bonds Offer, including information contained in documents, announcements and advertisements issued by or on behalf of FSL Trust in connection with the Offer and the Convertible Bonds Offer.

### 9.4 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the Convertible Bonds Offer and the advice given by the IFA to the Independent Directors as set out in the IFA Letter, have set out their recommendation of the Offer and the Convertible Bonds Offer below.

#### Offer

The Independent Directors **CONCUR** with the advice of the IFA in respect of the Offer (which is set out in section 9.2 above).

Accordingly, the Independent Directors recommend Unitholders, in general, to **ACCEPT** the Offer or to sell their Units in the open market if they can obtain a price higher than the Offer Price (after deducting transaction costs).



---

## LETTER TO SECURITYHOLDERS

---

However, Unitholders with a longer term view of their investments in FSL Trust and/or who are confident of the longer term prospects of FSL Trust under the control of the Offeror may wish to retain their unit holdings in FSL Trust and accordingly **REJECT** the Offer. Unitholders who retain their Units, however, should understand that the future performance of the Unit price of FSL Trust would depend, amongst other things, upon the performance and prospects of FSL Trust as well as the prevailing market conditions and general sentiments of the stock market in Singapore. Unitholders should note that there is no assurance that the market price of the Units can be sustainable at current levels. The Unit price may also not be maintained at such levels after the close of the Offer.

The Independent Directors who hold Units in FSL Trust have indicated that they intend to reject the Offer in respect of all the Units held by them respectively, as stated in section 5.9 of Appendix II to this Circular.

### Convertible Bonds Offer

The Independent Directors **CONCUR** with the advice of the IFA in respect of the Convertible Bonds Offer (which is set out in section 9.2 above).

Accordingly, the Independent Directors recommend the Bondholder to **ACCEPT** the Convertible Bonds Offer.

In rendering the above advice and making the above recommendation, the IFA and the Independent Directors have not given regard to any specific investment objectives, financial situation, tax position, risk profiles or particular needs and constraints of any individual Securityholder. As different Securityholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Securityholder who may require specific advice in relation to his/her investment objectives or portfolio should consult his/her stockbroker, bank manager, solicitor, accountant, tax adviser or any other professional adviser immediately.

**Securityholders are advised to read the terms and conditions of the Offer Document and/or Letter to Bondholder carefully. Securityholders are also advised to read and consider the IFA Letter set out in Appendix I to this Circular carefully and in its entirety before deciding whether to accept or reject the Offer or Convertible Bonds Offer (as the case may be). Securityholders are further advised that the advice of the IFA and the recommendation of the Independent Directors in respect of the Offer and the Convertible Bonds Offer should not be relied upon by any Securityholder as the sole basis for deciding whether or not to accept the Offer or the Convertible Bonds Offer (as the case may be).**

## 10. OVERSEAS PERSONS

### 10.1 Overseas Persons

Overseas Persons should refer to section 12 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

**“12. OVERSEAS JURISDICTION**

**12.1. Overseas Persons**

*This Offer Document does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being proposed in any jurisdiction in which the introduction or implementation of the Offer would not be in compliance with the laws of such jurisdiction. Where there are potential restrictions on sending this Offer Document and the relevant Acceptance Forms to any overseas jurisdictions, the Offeror and CICF reserve the right not to send this Offer Document and the relevant Acceptance Forms to such overseas jurisdictions. The availability of the Offer, as the case may be, to Overseas Persons may be affected by the laws of the relevant overseas jurisdictions. Accordingly, all Overseas Persons should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions. For the avoidance of doubt, the Offer is made to all Unitholders, including those to whom this Offer Document and the relevant Acceptance Forms have not been, or will not be, sent.*

---

## LETTER TO SECURITYHOLDERS

---

### 12.2. **Copies of the Offer Document**

Unitholders (including Overseas Persons) may (subject to compliance with applicable laws) obtain copies of this Offer Document, the relevant Acceptance Forms and any related documents, during normal business hours and up to 5.30 p.m. (Singapore time) on the Closing Date from:

- (a) Boardroom Corporate & Advisory Services Pte Ltd (if he is a scrip holder) at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
- (b) The Central Depository (Pte) Limited (if he is a Depositor) at 9 North Buona Vista Drive, #01-19/20 The Metropolis, Singapore 138588.

Alternatively, Unitholders (including Overseas Persons) may (subject to compliance with applicable laws) write to:

- (i) Boardroom Corporate & Advisory Services Pte Ltd (if he is a scrip holder) at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623; or
- (ii) The Central Depository (Pte) Limited (if he is a Depositor) at Robinson Road Post Office P.O. Box 1984, Singapore 903934,

to request for this Offer Document, the relevant Acceptance Forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

### 12.3. **Compliance with Applicable Laws**

It is the responsibility of any Overseas Person who wishes to (a) request for this Offer Document, the relevant Acceptance Forms and/or any related documents; and/or (b) accept the Offer, as the case may be, to satisfy himself as to the full observance of the laws of the relevant jurisdictions in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements. Such Overseas Person shall also be liable for any taxes, imposts, duties or other requisite payments payable in his own jurisdiction and the Offeror and any person acting on its behalf (including CICF, CDP and the Registrar) shall be fully indemnified and held harmless by such Overseas Person for any such taxes, imposts, duties or other requisite payments that may be required to be paid and the Offeror shall be entitled to set-off any such amounts against any sum payable to the Overseas Person pursuant to the Offer.

In (a) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents; and/or (b) accepting the Offer, the Overseas Person represents and warrants to the Offeror and CICF that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Person who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.**

### 12.4. **Notice**

The Offeror and CICF each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Unitholders (including Overseas Persons) by announcement to the SGX-ST or paid advertisement in a daily newspaper published and circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Unitholder (including Overseas Persons) to receive or see such announcement or advertisement.”

---

## LETTER TO SECURITYHOLDERS

---

Based on the Offer Unconditional Announcement, copies of the Offer Document, the Acceptance Forms and any related documents may be obtained during normal business hours up to 5.30 p.m. (Singapore time) on the Final Closing Date from the Unit Registrar (in the case of a scrip Unitholder) or CDP (in the case of a Depositor), at their respective addresses set out in the extract above. Alternatively, Overseas Unitholders may (subject to compliance with applicable laws) write to the Unit Registrar (if he is a scrip Unitholder) or CDP (if he is a Depositor), to request for the Offer Document, the Acceptance Forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Final Closing Date.

### 10.2 Copies of Circular

This Circular and any related documents may not be sent to certain Overseas Persons due to the potential restrictions on sending such documents to overseas jurisdictions. Any affected Overseas Person may, nonetheless, obtain a copy of this Circular during normal business hours on any day (other than a public holiday, Saturday or Sunday), up to 5:30 p.m. (Singapore time) on the Final Closing Date, from the office of the Unit Registrar at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623. Alternatively, any Overseas Person may write to the Unit Registrar at the aforementioned address to request for this Circular and any related documents to be sent to an address in Singapore by ordinary post at his own risk (the last date for despatch in respect of such request shall be a date falling five (5) Market Days prior to the Final Closing Date).

In requesting for this Circular and any related documents, each of the Overseas Persons represents and warrants to the FSL Trust and the Trustee-Manager that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

### 11. INFORMATION PERTAINING TO SRS INVESTORS

SRS Investors should refer to section 13 of the Offer Document, which is extracted and reproduced in *italics* below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

***“13. INFORMATION PERTAINING TO SRS INVESTORS***

*SRS Investors should receive further information on how to accept the Offer from their SRS Agent Banks. SRS Investors are advised to consult their SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice.*

*SRS Investors who wish to accept the Offer are to reply to their SRS Agent Banks by the deadline stated in the letter from their respective SRS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, SRS Investors who validly accept the Offer will receive the payment for their Offer Units in their SRS investment accounts.”*

Based on the Offer Unconditional Announcement, SRS Investors who wish to accept the Offer but who have not done so should contact their respective SRS Agent Banks as to the deadline by which such banks would need to receive instructions in order to accept the Offer prior to the Final Closing Date. Further, based on the Offer Unconditional Announcement, SRS Investors who validly accept the Offer will receive the total Offer Price payable in respect of their Offer Units validly tendered in acceptance of the Offer in their respective SRS investment accounts.

---

## LETTER TO SECURITYHOLDERS

---

### 12. ACTION TO BE TAKEN

Securityholders may accept the Offer or the Convertible Bonds Offer (as the case may be) in respect of all or any part of their holdings of Units or the Convertible Bonds (as the case may be). Securityholders who wish to accept the Offer or the Convertible Bonds Offer (as the case may be) must do so **not later than 5.30 p.m. (Singapore time) on 14 August 2019**. **Securityholders should note that the Offeror had indicated in the Offer Unconditional Announcement that it has no intention of extending the Offer beyond the Final Closing Date. Accordingly, based on the Offer Unconditional Announcement, the Offer will not be open for acceptance beyond 5:30 p.m. on the Final Closing Date, and acceptances received after 5:30 p.m. on the Final Closing Date will be rejected.**

Securityholders who wish to accept the Offer should take note of the “Procedures for Acceptance of the Offer” set out in Appendix 2 to the Offer Document, and Securityholders who wish to accept the Convertible Bonds Offer should take note of the procedures for acceptance set out in the Letter to Bondholder.

Securityholders who do not wish to accept the Offer or the Convertible Bonds Offer (as the case may be) need not take any further action in respect of the Offer Document, the Letter to Bondholder (if applicable) and the FAA and/or the FAT which have been sent to them.

### 13. DIRECTORS’ RESPONSIBILITY STATEMENT

Save for the recommendation of the Independent Directors to Securityholders set out in section 9.4 of this Circular which is the sole responsibility of the Independent Directors, the Directors (including any who may have delegated detailed supervision of the preparation of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (excluding those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer, the Convertible Bonds Offer, and the Excluded Document) are fair and accurate, and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular (excluding those relating to the Offeror, parties acting in concert or deemed to be acting in concert with the Offeror, the Offer, the Convertible Bonds Offer, and the Excluded Document) misleading, and they jointly and severally accept responsibility accordingly.

In respect of the Excluded Document, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to FSL Trust are, to the best of their knowledge and belief, fair and accurate in all material respects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Offer Announcement, the Offer Document, the Offer Unconditional Announcement and the Excluded Document), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

### 14. ADDITIONAL GENERAL INFORMATION

Additional general information is provided in Appendix II to this Circular.

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 I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

---

LETTER FROM IFA TO THE INDEPENDENT DIRECTORS OF  
FSL TRUST MANAGEMENT PTE LTD

### STIRLING COLEMAN CAPITAL LIMITED

(Company registration no.200105040N)

4 Shenton Way #07-03

SGX Centre 2

Singapore 068807

12 July 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 Offer)

Dear Sirs

**MANDATORY CONDITIONAL CASH OFFER BY CEL IMPETUS CORPORATE FINANCE PTE LTD (“CICF”) FOR AND ON BEHALF OF FSL HOLDINGS PTE. LTD. (“THE OFFEROR”) TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY UNITS (“UNITS”) IN THE CAPITAL OF FSL TRUST OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND ITS CONCERT PARTY**

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 12 July 2019 to the Unitholders (as define herein) of FSL Trust (the “**Circular**”).*

#### 1. INTRODUCTION

On the Offer Announcement Date, CICF announced, for and on behalf of the Offeror, that the Offeror and its concert party, FSL Trust Management Pte. Ltd. (together, the “**Concert Party Group**”), had been issued in aggregate 719,353,464 Units pursuant to the non-renounceable non-underwritten preferential offering of 956,184,865 new units in FSL Trust (“**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 the Unitholders as at the relevant books closure date (the “**Preferential Offering**”).

Prior to the completion of the Preferential Offering, the Concert Party Group owned or controlled, directly or indirectly, in aggregate 157,877,631 Units, representing approximately 24.77% of the total number of issued Units. As a result of the Preferential Offering and on the Offer Announcement Date, the Concert Party Group owned or controlled an aggregate of 877,231,095 Units, representing approximately 55.04% of the total number of issued Units as at the Offer Announcement Date and approximately 49.59% of the total number of Units which would be in issue if all of the Convertible Bonds held were validly converted (the “**Maximum Potential Total Units**”).

**As stated in the Offer Unconditional Announcement, as at 5.30 p.m. (Singapore time) on 3 July 2019, the total number of (a) Units owned, controlled or agreed to be acquired by the Concert Party Group; and (b) valid acceptances to the Offer, amount to an aggregate of 888,680,295 Units, representing approximately 55.76% of the total number of issued Units and approximately 50.24% of the Maximum Potential Total Units.**

As a consequence of the Preferential Offering, the Offeror is required to make a mandatory conditional cash offer for all the Units, other than those already owned, controlled or agreed to be acquired by the Concert Party Group, in accordance with Section 139 of the SFA and Rule 14 of the Code. In accordance with Rule 19 of the Code, the Offeror will also make a conditional cash offer to the Bondholder for the Convertible Bonds.

---

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

---

Unitholders and the Bondholder should have by now received a copy of the Offer Document and Letter to Bondholder respectively despatched by CICF, for and on behalf of the Offeror, dated 28 June 2019, setting out, *inter alia*, the terms and conditions of the Offer and Convertible Bonds Offer respectively.

**Independent Directors should advise Unitholders and the Bondholder to read the terms and conditions of the Offer and Convertible Bonds Offer set out in the Offer Document and the Letter to Bondholder carefully.**

Stirling Coleman Capital Limited (“**Stirling Coleman**”) has been appointed as the independent financial adviser (“**IFA**”) to advise the Independent Directors for the purpose of making the recommendation to the Unitholders and the Bondholder in respect of the Offer and Convertible Bonds Offer respectively. This letter (the “**IFA Letter**”) is therefore addressed to the Independent Directors and sets out, *inter alia*, our views and evaluation on the financial terms of the Offer and Convertible Bonds Offer and our opinion thereon. It will form part of the Circular providing, *inter alia*, the details of the Offer and Convertible Bonds Offer and the recommendation of the Independent Directors in respect thereof.

### 2. TERMS OF REFERENCE

Stirling Coleman has been appointed as the IFA to advise the Independent Directors in respect of their recommendations to the Unitholders in relation to the Offer and to the Bondholder in relation to the Convertible Bonds Offer. Our opinion, by way of this IFA Letter will be limited to the financial terms of the Offer and the Convertible Bonds Offer, as of the date of this opinion.

Our terms of reference do not require us to evaluate or comment on the legal and commercial risks and/or merits of the Offer and the Convertible Bonds Offer or the future prospects of FSL Trust other than to form an opinion on whether the financial terms of the Offer and the Convertible Bonds Offer is fair and reasonable to the Unitholders and the Bondholder respectively. Such evaluation or comment, if any, remains the responsibility of the Board of Directors and the management of FSL Trust (the “**Management**”), 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 IFA Letter.

We were not requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Units or the assets of FSL Trust. It is not within our terms of reference to compare the relative merits of the Offer and the Convertible Bonds Offer vis-à-vis any alternative transactions previously considered by the Board of Directors or transactions that the Board of Directors may consider in the future, and such comparison and consideration shall remain as the responsibility of the Board of Directors. The Directors have confirmed that, as at the latest practicable date being 1 July 2019 (the “**Latest Practicable Date**”), apart from the Offer being made by the Offeror, no alternative offer or proposal has been received from any third party.

We have also relied upon the responsibility statement that the Circular has been reviewed and approved by the Directors (including those who may have delegated detailed supervision of the Circular) who have taken all reasonable care and have made all reasonable enquiries to ensure that, to the best of their knowledge and after due and careful consideration, the facts stated and the opinions expressed therein (other than those relating to the Offeror and those set out in this IFA Letter) are fair and accurate and that no material facts have been omitted from the Circular which would make any statement in the Circular misleading, and they jointly and severally accept full responsibility accordingly. We have not independently verified such information but have made reasonable enquiries and exercised judgment on the reasonable use of information disclosed in the Circular, the Offer Document and the Letter to Bondholder as we deemed necessary and have found no reason to doubt the accuracy or reliability of such information.

---

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

---

Where any information in the Circular has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror or the parties acting in concert with it, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources or, as the case may be, and/or reproduced in the Circular in its proper form and context.

Our analysis and opinion is based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, as well as the information made available to us as at the Latest Practicable Date. Such conditions may change significantly over a short period of time. Accordingly, we do not express any opinion or view on the future prospects, financial performance and/or financial position of the Group after the completion of the Offer and the Convertible Bonds Offer. We therefore do not make any projection as to the future financial performance of the Group after the completion or expiry of the Offer and the Convertible Bonds Offer. Unitholders and the Bondholder should take note of any announcements and/or documents relevant to their consideration of the Offer and the Convertible Bonds Offer which may be released or published by or on behalf of the Company and/or the Offeror after the Latest Practicable Date.

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 or the Bondholder. As each Unitholder or the Bondholder would have different investment objectives and profiles, we would advise you to recommend that any individual Unitholder or the Bondholder 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.

FSL Trust has been separately advised by its own advisers in the preparation of the Circular. 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 IFA Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this IFA Letter). A copy of this IFA Letter will be reproduced in the Circular.

**Our recommendation in respect of the Offer and the Convertible Bonds Offer, as set out in Section 9.2 of the Circular, should be considered in the context of the entirety of this IFA Letter, the Circular, the Offer Document and the Letter to Bondholder.**

### 3. THE OFFER

#### 3.1 Terms of the Offer

Based on the information set out in the Offer Document, the Offeror is making the Offer for the Offer Units subject to the terms and conditions set out in the Offer Document, the FAA and/or the FAT (as the case may be). The principal terms and conditions of the Offer, as extracted from **Section 2** of the Offer Document, are set out below.

##### 3.1.1 Offer and Offer Price

*“The Offer will be made for all the Offer Units, subject to the terms and conditions set out in the Offer Document.”*

*The Offer Price for each Offer Unit will be as follows:*

|  |
|--|
| <b><i>For each Offer Unit: S\$0.0585 in cash</i></b> |
|--|

***“The Offeror does not intend to increase the Offer Price, save that the Offeror reserves the right to do so in a competitive situation. Therefore, in accordance with Rule 20.2 of the Code, save in a competitive situation, the Offeror will not be allowed to subsequently amend the terms of the Offer, including the Offer Price, in any way.”***

---

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

---

### 3.1.2 Minimum Acceptance Condition

*“The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Units which, when taken together with the Units owned, controlled or agreed to be acquired by the Concert Party Group (either before or during the Offer and pursuant to the Offer or otherwise), would result in the Concert Party Group holding such number of Units carrying more than 50% of the voting rights attributable to the issued Units (excluding any treasury Units) as at the close of the Offer (“**Minimum Acceptance Condition**”).*

*Accordingly, the Offer will not become or be capable of being declared to be unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances (which have not been withdrawn) in respect of such number of Offer Units which, together with Units owned, controlled or agreed to be acquire before or during the Offer by or on behalf of the Concert Party Group, will result in the Concert Party Group holding such number of Units representing more than 50% of the voting rights attributable to the Maximum Potential Total Units. For these purposes, the “**Maximum Potential Total Units**” means the total number of Units which would be in issue if all the Convertible Bonds were validly converted as at the date of such declaration.*

*The Offer is not subject to any other condition.”*

On the Offer Unconditional Date, CICF announced, for and on behalf of the Offeror, *inter alia* that as at 5.30 p.m. (Singapore time) on 3 July 2019, the Units owned, controlled or agreed to be acquired by the Concert Party Group (either before or during the Offer and pursuant to the Offer or otherwise) result in the Concert Party Group holding such number of Units carrying more than 50% of the voting rights attributable to the Maximum Potential Total Units.

**Accordingly, based on the Offer Unconditional Announcement, the Minimum Acceptance Condition has been satisfied and the Offer is declared unconditional in all respects on the Offer Unconditional Date.**

### 3.2 Further Details of the Offer

Further details of the Offer, including details on (i) the duration of the Offer; (ii) the settlement for the Offer; (iii) the requirements relating to the announcement of the level of acceptances of the Offer; and (iv) the right of withdrawal of acceptances of the Offer are set out in **Appendix 1** to the Offer Document.

## 4 THE CONVERTIBLE BONDS OFFER

The principal terms and conditions of the Convertible Bonds Offer, as extracted from **Section 3** of the Offer Document, are set out below.

### 4.1 Convertible Bonds

*“As at the Latest Practicable Date, based on the latest information available to the Offeror, FSL Trust has issued to the Bondholder convertible bonds (“**Convertible Bonds**”) in a principal amount of US\$7,250,000, which are convertible into 175,225,461 new Units, representing approximately 9.91 % of the Maximum Potential Total Units, at a conversion price of S\$0.05644 per Unit (following the adjustment made to such conversion price as a result of the Preferential Offering in accordance with the terms and conditions of the Convertible Bonds as contained in the Bond Subscription Agreement).*

*Under the Bond Subscription Agreement, the Bondholder may not exercise its right to sell, transfer or assign the Convertible Bonds (the “**Transferred Bonds**”) if (i) the Transferred Bonds are being sold, transferred or assigned to any of the persons set forth in Rule 812(1) of the Listing Manual (“**Restricted Persons**”) or (ii) the conversion of the Transferred Bonds into new Units would result in FSL Trust issuing new Units to transfer a controlling interest (as defined in the Listing Manual), unless the prior approval of the Unitholders has been obtained. As a Substantial*



---

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

---

*Unitholder of FSL Trust, the Offeror is a Restricted Person. Accordingly, Convertible Bonds are not transferable by the Bondholder to the Offeror without the prior approval of Unitholders having been obtained. As of the Latest Practicable Date, FSL Trust has not obtained the approval of Unitholders for the transfer of the Convertible Bonds to the Offeror.”*

### 4.2 Convertible Bonds Offer

*“In accordance with Rule 19 of the Code, CICF, for and on behalf of the Offeror, will make a conditional offer (“**Convertible Bonds Offer**”) to the Bondholder to acquire the Convertible Bonds other than those already owned, controlled or agreed to be acquired by the Concert Party Group, in accordance with the terms and conditions set out in this Offer Document. The Offeror will pay the Bondholder a cash amount (“**Convertible Bonds Offer Price**”), as determined in accordance with Section 3.4 below, in consideration for the Bondholder transferring the Convertible Bonds tendered in acceptance of the Convertible Bonds Offer to the Offeror.”*

*In accordance with Note 1 to Rule 19 of the Code, the Convertible Bonds Offer Price is computed on a “see-through” basis. In other words, the Convertible Bonds Offer Price will be the Offer Price multiplied by the number of new Units into which the principal amount of the Convertible Bonds tendered in acceptance of the Convertible Bonds Offer may be converted. The Bondholder will not receive payments for any fractional new Units. Accordingly, the Convertible Bonds Offer Price will be as follows:*

|  |
|--|
| <p><b><i>For every US\$1,000 principal amount of Convertible Bonds: S\$1,413.89 in cash; or<br/>For every US\$100,000 principal amount of Convertible Bonds: S\$141,389.00 in cash.”</i></b></p> |
|--|

### 4.3 Conditions to the Convertible Bonds Offer

*“The Convertible Bonds Offer will be conditional on:*

- (a) the Offer becoming or being declared unconditional in all respects in accordance with its terms; and*
- (b) the Convertible Bonds continuing to be transferable to the Offeror and convertible into new Units.”*

**Accordingly, based on the Offer Unconditional Announcement, the Minimum Acceptance Condition has been satisfied and the Offer is declared unconditional in all respects on the Offer Unconditional Date.**

### 4.4 Offer and Convertible Bonds Offer are Mutually Exclusive

*“For the avoidance of doubt, while the Convertible Bonds Offer is conditional upon the Offer becoming or being declared unconditional in all respects in accordance with its terms, the Offer will not be conditional upon acceptances received in relation to the Convertible Bonds Offer. The Offer and the Convertible Bonds Offer are separate and are mutually exclusive. The Convertible Bonds Offer does not form part of the Offer, and vice versa. Without prejudice to the foregoing, if the Bondholder converts its Convertible Bonds in order to accept the Offer in respect of the new Units to be issued pursuant to such conversion, it may not accept the Convertible Bonds Offer in respect of such converted Convertible Bonds. Conversely, if the Bondholder wishes to accept the Convertible Bonds Offer in respect of its Convertible Bonds, it may not convert those Convertible Bonds in order to accept the Offer in respect of the new Units to be issued pursuant to such conversion.”*

### 4.5 Further Details of the Convertible Bonds Offer

Further information on the Convertible Bonds Offer, including details on (i) adjustments for distributions; (ii) minimum denomination; (iii) no encumbrances; and (iv) warranty are set out in **Section 3** of the Offer Document. Further details on the Convertible Bonds Offer are also set out in the Letter to Bondholder.

---

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

---

### 5 IRREVOCABLE UNDERTAKING

**Section 10.2** of the Offer Document states that none of the Concert Party Group has received any irrevocable undertaking from any party to accept or reject the Offer in respect of any FSL Trust Securities as at the Offer Document LPD.

### 6 INFORMATION ON THE OFFEROR

Information on the Offeror, as extracted from **Section 4** of the Offer Document, are set out below.

*“The Offeror is a holding company incorporated in Singapore on 18 October 2006 as a private limited company. As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US\$88,351,656, comprising 84,986,683 ordinary shares. The Offeror is the Sponsor of FSL Trust and the sole shareholder of the Trustee-Manager.”*

*As at the Latest Practicable Date, the Offeror Directors are Efstathios Topouzoglou, Michail Chalkias and Valerie Lim Lee Huang, and the sole shareholder of the Offeror is PSI, a company incorporated in the Marshall Islands.*

*As at the Latest Practicable Date:*

- (a) *the Offeror holds 869,298,018 Units, representing approximately 54.55% of the total issued Units and approximately 49.14% of the Maximum Potential Total Units;*
- (b) *the Trustee-Manager, holds 8,617,577 Units, representing approximately 0.54% of the total issued Units and approximately 0.49% of the Maximum Potential Total Units; and*
- (c) *the Concert Party Group, comprising the Offeror and the Trustee-Manager holds in aggregate 877,915,595 Units, representing approximately 55.09% of the total issued Units and approximately 49.63% of the Maximum Potential Total Units.”*

**As stated in the Offer Unconditional Announcement, as at 5.30 p.m. (Singapore time) on 3 July 2019, the total number of (a) Units owned, controlled or agreed to be acquired by the Concert Party Group; and (b) valid acceptances to the Offer, amount to an aggregate of 888,680,295 Units, representing approximately 55.76% of the total number of issued Units and approximately 50.24% of the Maximum Potential Total Units.**

Additional information on the Offeror are set out in **Appendix 3** to the Offer Document.

### 7 FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer, we have deliberated on the following factors which we consider to be pertinent and have a significant bearing on our assessment:

- (i) Financial performance and position of the Group;
- (ii) Historical Unit Price performance and trading liquidity;
- (iii) The Group's
  - Net Asset Value (“NAV”) and Net Tangible Assets (“NTA”);
  - Revalued NAV (“RNAV”); and
  - Adjusted NAV (“Adjusted NAV”);
- (iv) Relative valuation analysis;
- (v) Precedent non-privatisation transactions analysis;

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

- (vi) Rationale for the Offer and the Offeror’s intention in relation to FSL Trust;
- (vii) Distribution track record of FSL Trust; and
- (viii) Other relevant considerations.

### 7.1 Financial Performance and Position of the Group

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) and the interim financial results of FSL Trust for the three-month period ended 31 March 2018 (“**1Q2018**”) and 31 March 2019 (“**1Q2019**”).

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

| US\$’000                                     | Unaudited<br>1Q2019 | Unaudited<br>1Q2018 | Audited<br>FY2018 | Audited<br>FY2017 | Audited<br>FY2016 |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|
| Revenue                                      | 19,090              | 16,856              | 67,046            | 81,499            | 98,144            |
| Results from operating activities            | 5,168               | 2,279               | (11,375)          | (66,006)          | (17,660)          |
| <b>Net Profit/(Loss) for the period/year</b> | <b>3,009</b>        | <b>917</b>          | <b>(18,986)</b>   | <b>(73,888)</b>   | <b>(30,995)</b>   |

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

| US\$’000                 | Unaudited<br>as at<br>31-Mar-19 | Audited<br>as at<br>31-Dec-18 | Audited<br>as at<br>31-Dec-17 | Audited<br>as at<br>31-Dec-16 |
|--------------------------|---------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Current assets           | 39,365                          | 37,630                        | 41,965                        | 46,917                        |
| Non-current assets       | 229,845                         | 225,538                       | 289,077                       | 427,508                       |
| <b>Total assets</b>      | <b>269,210</b>                  | <b>263,168</b>                | <b>331,042</b>                | <b>474,425</b>                |
| Current liabilities      | 37,630                          | 27,854                        | 157,354                       | 226,292                       |
| Non-current liabilities  | 73,309                          | 80,052                        | –                             | 679                           |
| <b>Total liabilities</b> | <b>110,939</b>                  | <b>107,906</b>                | <b>157,354</b>                | <b>226,971</b>                |
| Units in issue           | 523,284                         | 523,284                       | 523,284                       | 523,284                       |
| Reserves                 | (365,013)                       | (368,022)                     | (349,596)                     | (275,830)                     |
| <b>Total Equity</b>      | <b>158,271</b>                  | <b>155,262</b>                | <b>173,688</b>                | <b>247,454</b>                |

#### Summary of FSL Trust’s Cash Flows

| US\$’000  | Unaudited<br>1Q2019 | Unaudited<br>1Q2018 | Audited<br>FY2018 | Audited<br>FY2017 | Audited<br>FY2016 |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|
| Net cash generated from operating activities            | 9,989               | 11,849              | 37,468            | 47,540            | 66,971            |
| Net cash generated from /(used in) investing activities | (10,665)            | 19,140              | 19,100            | 2,432             | 7,408             |
| Net cash generated from /(used in) financing activities | 2,394               | (28,559)            | (56,388)          | (79,670)          | (60,314)          |
| <b>Cash and cash equivalents at end of period/year</b>  | <b>15,099</b>       | <b>15,631</b>       | <b>13,381</b>     | <b>13,201</b>     | <b>42,899</b>     |

Source: FY2016 to FY2018 annual reports and FSL Trust’s interim financial results announcement.

#### Note:

1. Figures above are subject to rounding differences.

---

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

---

### 7.1.1 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.

We note that FSL Trust recorded higher revenue of US\$19.1 million in 1Q2019, a 13.3% increase from 1Q2018. The higher revenue was mainly due to increase in bareboat charter / bareboat charter equivalent revenue of US\$1.8 million.

#### Net profit/(loss)

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, FSL Trust recognised 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, which was 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 FSL Trust recorded a net profit of US\$3 million in 1Q2019, a 228.1% increase from 1Q2018 mainly due to higher income received from bareboat charter.

**We note that revenue for FSL Trust has been declining since FY2016 and FSL Trust was in a net loss position from FY2016 to FY2018, 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. However, both revenue and net income have improved in 1Q2019 over 1Q2018 mainly due to increase in revenue from bareboat charter.**

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

We note that FSL Trust's assets comprised mainly vessels amounting to US\$229.8 million or 85.4% of its total assets as at 31 March 2019, cash and cash equivalents (5.8%) and trade and other receivables (4.7%). FSL Trust's liabilities comprised mainly bank loans (amounting to US\$91.6 million or 82.6% of its total liabilities as at 31 March 2019), loan from sponsor (9.0%) and convertible bonds (5.8%).

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.

---

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

---

We note that FSL Trust's total assets decreased further by US\$67.9 million to US\$263.2 million as at 31 December 2018, mainly due to further impairment charges of US\$20.6 million on its vessels. Total liabilities decreased US\$49.4 million from US\$157.4 million as at 31 December 2017 to US\$107.9 million as at 31 December 2018. This was due to the refinancing of outstanding syndicated debt using funds from the utilisation of new facilities, vessel sale proceeds, convertible bond proceeds, as well as internal resources.

**We note that FSL Trust is in a positive working capital position since FY2018. Cash and bank balances also increased from US\$13.2 million as at 31 December 2017 to US\$15.6 million as at 31 March 2019.**

As announced on 7 June 2019, the Preferential Offering was completed and FSL Trust raised gross proceeds of S\$43.0 million or US\$31.4 million, of which US\$21.2 million was received in cash and US\$10.2 million was offset against the loan from the Sponsor. As a result, FSL Trust's adjusted NAV and adjusted cash position as at 31 March 2019 improved to US\$189.4 million and US\$36.8 million respectively.

### 7.1.3 Between 31 March 2019 and the Latest Practicable Date

In respect of the above, the Directors and Management have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief, save for what have been previously disclosed above, in the Circular, the annual reports and its announcements on the SGXNET:

- (i) there are no other off-balance sheet and contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of FSL Trust as at the Latest Practicable Date;
- (ii) there are no litigation, claim or proceeding pending or threatened against FSL Trust or any of its subsidiaries or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of FSL Trust and its subsidiaries taken as a whole;
- (iii) there are no other intangible assets which ought to be disclosed in the statement of financial position of FSL Trust in accordance with the International Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of FSL Trust; and
- (iv) there are no material acquisitions and disposals of assets by the Group between **1 April 2019** and the Latest Practicable Date, other than in the ordinary course of business, and FSL Trust does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of FSL Trust's business.

## 7.2 Historical Unit Price Performance and Trading Liquidity

### 7.2.1 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 7 June 2018, being the last 12 months period prior to 6 June 2019 (the "**Last Trading Day**"), and ending on the Latest Practicable Date.

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

Chart 1: Unit Price Performance from 7 June 2018 up to the Latest Practicable Date



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

### Period from 7 June 2018 up to the date of announcement of the Preferential Offering

Based on Chart 1, between 7 June 2018 and up to the date of announcement of the Preferential Offering, the Units were trading above the Offer Price at a range between S\$0.066 to S\$0.085.

### Period from the date of announcement of the Preferential Offering up to the Last Trading Day

On 26 November 2018, FSL Trust announced the Preferential Offering of 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.

Between the date of announcement of the Preferential Offering and up to the Last Trading Day, the Units were trading below the Offer Price at a range between S\$0.043 to S\$0.055.

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

Between the Last Trading Day up to the Offer Announcement Date, the Units were mostly trading close to the Offer Price at a range between S\$0.058 to S\$0.059.

## 7.2.2 Offer Price Comparison to Historical Unit Price

We have tabulated below selected statistical information on the unit price performance and trading liquidity of the Units commencing from 7 June 2018, being the 12-month period prior to the Last Trading Day, and ending on the Latest Practicable Date:

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

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

|   | VWAP <sup>(1)</sup><br>(S\$) | Premium<br>of the<br>Offer Price<br>to VWAP<br>per Unit<br>(%) | Lowest<br>Transacted<br>Price<br>(S\$) | Highest<br>Transacted<br>Price<br>(S\$) | Average<br>Daily<br>Trading<br>Volume <sup>(2)</sup><br>(Units) | Average<br>Daily Trading<br>Volume as %<br>of Free-float <sup>(3)</sup> |
|---|------------------------------|--|--|---|---|---|
| <b>For the period prior to the Last Trading Day<sup>(4)</sup></b>   |                              |  |  |   |   |   |
| Last 12 months  | 0.056                        | 3.7%   | 0.043                                  | 0.085                                   | 285,429   | 0.06%   |
| Last 6 months   | 0.045                        | 30.0%  | 0.043                                  | 0.052                                   | 348,605   | 0.07%   |
| Last 3 months   | 0.045                        | 30.9%  | 0.043                                  | 0.050                                   | 516,366   | 0.11%   |
| Last 1 month  | 0.044                        | 32.1%  | 0.044                                  | 0.047                                   | 527,776   | 0.11%   |
| Last Trading Day <sup>(4)</sup>   | 0.044                        | 33.0%  | 0.044                                  | 0.044                                   | 610,000   | 0.13%   |
| <b>For the period commencing on the Offer Announcement Date up to the Last Practicable Date<sup>(5)</sup></b> |                              |  |  |   |   |   |
| From the Offer<br>Announcement Date<br>up to and including the<br>Latest Practicable Date                     | 0.058                        | 0.7%   | 0.058                                  | 0.059                                   | 1,636,512   | 0.23%   |
| Latest Practicable Date   | 0.058                        | 0.9%   | 0.058                                  | 0.058                                   | 800,000   | 0.11%   |

Source: Bloomberg L.P. as at the Latest Practicable Date, 1 July 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 477,853,960 Units of the issued unit capital held by the public as at the Last Trading Day.
4. The Last Trading Day is 6 June 2019 being the last transacted price of the Units prior to the Offer Announcement made on 7 June 2019. The closing price on 6 June 2019 is shown instead of VWAP.
5. Free-float is approximately 710,410,347 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 Offer Price is:

- (i) at a premium of approximately 32.1%, 30.9%, 30.0% and 3.7% to the VWAP for the Units for the period on the 1-month, 3-months, 6-months, and 12-months prior to the Last Trading Day respectively;
- (ii) at a premium of approximately 33.0% to the closing price for the Units on the Last Trading Day;
- (iii) at a premium of approximately 0.7% from the VWAP for the Units for the period on the Offer Announcement Date up to the Latest Practicable Date; and
- (iv) at a premium of approximately 0.9% from the last transacted price of S\$0.058 on the Latest Practicable Date.

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

### 7.2.3 Trading Volume and Liquidity

Based on the number of Units traded on a daily basis during the period commencing from 7 June 2018, being the Market Day 12 months prior to the Last Trading Day, and ending on the Latest Practicable Date, we note that:

- (i) from 7 June 2018 to the Last Trading Day, Units were traded on 184 Trading Days out of the total 249 Market Days during the period, with the total number of Units traded being approximately 71.1 million Units and an average daily trading volume of approximately 285,429 Units, which represents 0.05% of the total issued Units as at the Last Trading Day or approximately 0.06% of the Free-float as at the Last Trading Day; and
- (ii) for the period commencing from the Market Day immediately after the Offer Announcement Date up till and including the Latest Practicable Date, the Units were traded on 15 days out of the 17 Market Days during the period, with the total number of Units traded being approximately 27.2 million Units and an average daily trading volume of approximately 1,636,512 Units, which represents 0.10% of the total issued Units as at the Latest Practicable Date or approximately 0.23% of the Free-float as at the Latest Practicable Date.

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

| FSL Trust                           | Market Capitalisation <sup>(1)</sup><br>(S\$ million) | Average Daily Trading Volume<br>12 months prior<br>to the Offer<br>Announcement<br>Date<br>(million) |  | Average Daily Trading Volume<br>6 months prior<br>to the Offer<br>Announcement<br>Date<br>(million) |  | Average Daily Trading Volume<br>3 months prior<br>to the Offer<br>Announcement<br>Date<br>(million) |             |
|-------------------------------------|---|--|--|---|--|---|-------------|
|                                     |   | Average<br>Daily Trading<br>Volume as<br>% Free Float<br>Units                                       | Average<br>Daily Trading<br>Volume as<br>% Free Float<br>Units | Average<br>Daily Trading<br>Volume as<br>% Free Float<br>Units                                      | Average<br>Daily Trading<br>Volume as<br>% Free Float<br>Units |   |             |
| Stamford Land Corp Ltd              | 258   | 0.28   | 0.06   | 0.26  | 0.05   | 0.15  | 0.03        |
| BHG Retail REIT                     | 221   | 0.03   | 0.02   | 0.02  | 0.01   | 0.03  | 0.02        |
| Sunningdale Tech Ltd <sup>(2)</sup> | 196   | 0.50   | 0.41   | 0.41  | 0.34   | 0.31  | 0.25        |
| CSE Global Ltd                      | 190   | 1.21   | 0.33   | 1.36  | 0.38   | 1.15  | 0.32        |
| Creative Technology Ltd/Singapore   | 176   | 0.34   | 0.69   | 0.33  | 0.66   | 0.16  | 0.32        |
| Singapore Reinsurance Corp Ltd      | 176   | 0.04   | 0.01   | 0.04  | 0.01   | 0.03  | 0.01        |
| AEM Holdings Ltd                    | 168   | 9.93   | 4.42   | 9.27  | 4.13   | 8.73  | 3.89        |
| Sing Investments & Finance Ltd      | 162   | 0.01   | 0.01   | 0.02  | 0.02   | 0.03  | 0.03        |
| ABR Holdings Ltd                    | 160   | 0.01   | 0.06   | 0.00  | 0.02   | 0.00  | 0.01        |
| Mewah International Inc             | 151   | 0.05   | 0.01   | 0.06  | 0.01   | 0.06  | 0.01        |
| <b>Max</b>                          |   |  | <b>4.42</b>  |   | <b>4.13</b>  |   | <b>3.89</b> |
| <b>Min</b>                          |   |  | <b>0.01</b>  |   | <b>0.01</b>  |   | <b>0.01</b> |
| <b>Median</b>                       |   |  | <b>0.06</b>  |   | <b>0.04</b>  |   | <b>0.03</b> |
| <b>Simple Average</b>               |   |  | <b>0.60</b>  |   | <b>0.56</b>  |   | <b>0.49</b> |
| <b>FSL Trust</b>                    | 93.2 <sup>(3)</sup>                                   | 0.28   | 0.06   | 0.34  | 0.07   | 0.49  | 0.10        |

Source: Bloomberg L.P. and FTSE ST Fledgling Index Factsheet (data as at 31 May 2019) from the SGX-ST website.



---

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

---

**Notes:**

1. *Based on market capitalisation from the FTSE ST Fledgling Index Factsheet. FTSE ST Fledgling Index comprises 208 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. *Implied market capitalisation of FSL Trust based on the Offer Price of S\$0.0585.*

### **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 Fledgling Index as at 31 May 2019 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 0.06%, 0.07% and 0.10% 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 was higher than four of the top 10 constituents of FTSE ST Fledgling Index prior to the Offer Announcement Date. It was approximately 90.2%, 87.4% and 78.9% lower than the simple average daily trading volume of the top 10 constituents in the FTSE ST Fledgling Index as at 31 May 2019 for the 12-months, 6-months and 3-months periods preceding the Last Trading Day respectively.

**We note that the trading volume of the Units had generally been low in the past 12 months prior to the Offer Announcement Date. The Offer will provide an exit option for those Unitholders who wish to realise their investments in the Units but find it difficult to do so as a result of the low trading liquidity. However, Unitholders should note that the past trading performance for the Units should not be relied upon as an indication of its future trading performance.**

### **7.3 The Group's NAV, NTA, RNAV and Adjusted NAV**

#### **7.3.1 NAV and NTA analysis**

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each unit is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its unitholders. However the NAV approach does not take into account or consideration the hypothetical sale of assets in a non-orderly manner or over a short period of time. The NAV does not illustrate the values at which assets may actually be realised or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities, minority interest and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each unit is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group, with the balance to be distributed to its

---

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

---

unitholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. The NTA does not illustrate the values of which assets may actually be realised or disposed of.

Based on the unaudited financial statements as at 31 March 2019, the unaudited NAV attributable to Unitholders amounted to US\$158.3 million, equivalent to US\$0.248 per Unit or S\$0.339 per Unit. Accordingly, the Offer Price to NAV per Unit (“**P/NAV**”) and the discount of the Offer Price to NAV per Unit as at 31 March 2019 were 0.173x and 82.7% respectively. There is no difference between the NAV and the NTA for FSL Trust.

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 77.4% to 87.9% to the NAV per Unit.

We note that the unaudited NAV attributable to Unitholders as at 31 March 2019 may differ from the NTA as at Latest Practicable Date due to (i) the scheduled depreciation charge for the vessels; (ii) the disposal of FSL Hamburg as announced by FSL Trust on 4 April 2019; and (iii) the completion of the Preferential Offering on 7 June 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 NAV of FSL Trust as at the Latest Practicable Date to be materially different from that as at 31 March 2019; and (b) there are no contingent liabilities or impairment losses which are likely to have a material impact on the unaudited NAV of FSL Trust as at 31 March 2019.

### 7.3.2 RNAV analysis

In our evaluation of the financial terms of the Offer, we have also considered whether there are any assets which may be valued at an amount that is materially different from what was recorded in the balance sheet of FSL Trust as at 31 March 2019.

As mentioned under section 7.1.2 above, FSL Trust’s assets comprised mainly vessels amounting to US\$229.8 million or 85.4% of its total assets as at 31 March 2019, cash and cash equivalents (5.8%) and trade and other receivables (4.7%). FSL Trust’s liabilities comprised mainly bank loans (amounting to US\$91.6 million or 82.6% of its total liabilities as at 31 March 2019), loan from sponsor (9.0%) and convertible bonds (5.8%).

For the purposes of assessing the market valuation of the vessels held by FSL Trust, which is captured in FSL Trust’s balance sheet under “Vessels” (the “**Revalued Assets**”), FSL Trust had commissioned Braemar ACM Valuations Limited (the “**Independent Valuer**”) to conduct a valuation for the vessels in use that are held by FSL Trust as at 30 June 2019.

For illustrative purposes only, we have presented the net book value and the fair valuation amount of the Revalued Assets as at 31 March 2019 in the following table:

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

**Table 3: Revalued Assets**

| US\$'000  | Unaudited<br>as at<br>31-Mar-19 | Revalued<br>as at<br>31-Mar-19 |
|---|---------------------------------|--------------------------------|
| <b>Non-current assets</b>                                 |                                 |                                |
| <u>Vessels</u>  |                                 |                                |
| Vessels in use  | 219,288                         | <b>199,800</b>                 |
| New built vessels   | 10,557                          | 10,557                         |
| Subsidiaries  | –                               | –                              |
| <b>Current assets</b>                                     |                                 |                                |
| Inventories   | 227                             | 227                            |
| Trade and other receivables                               | 12,550                          | 12,550                         |
| Cash and cash equivalents                                 | 15,599                          | 15,599                         |
| Non-current asset classified as held-for-sale             | 10,989                          | 10,989                         |
| <b>Total assets</b>                                       | <b>269,210</b>                  | <b>249,722</b>                 |
| <b>Non-current liabilities</b>                            |                                 |                                |
| Secured bank loans  | 66,911                          | 66,911                         |
| Convertible bonds   | 6,398                           | 6,398                          |
| <b>Current liabilities</b>                                |                                 |                                |
| Trade and other payables                                  | 2,943                           | 2,943                          |
| Lease income received in advance                          | –                               | –                              |
| Secured bank loans  | 24,687                          | 24,687                         |
| Loan from Sponsor   | 10,000                          | 10,000                         |
| <b>Total liabilities</b>                                  | <b>110,939</b>                  | <b>110,939</b>                 |
| <b>NAV/RNAV (US\$'000)</b>                                | <b>158,271</b>                  | <b>138,783</b>                 |
| Number of ordinary Units of FSL Trust (ex treasury Units) | 637,456,577                     | 637,456,577                    |
| <b>NAV/RNAV per Unit (US\$)</b>                           | <b>0.248</b>                    | <b>0.218</b>                   |
| US\$ / S\$  | 1.3641 <sup>(2)</sup>           |                                |
| <b>NAV/RNAV per Unit (S\$)</b>                            | <b>0.339</b>                    | <b>0.297</b>                   |
| Offer Price (S\$)   | 0.0585                          |                                |
| <b>Offer Price to RNAV per Unit (x)</b>                   | <b>0.173</b>                    | <b>0.197</b>                   |
| Discount of Offer Price to RNAV per Unit (%)              | 82.73%                          | 80.30%                         |

**Notes:**

1. *Figures and computations above are subject to rounding and exchange rate differences.*
2. *Exchange rate as at 6 June 2019, the day before the Offer Announcement Date (Source: Bloomberg L.P.)*

For illustrative purposes only, the Offer Price to RNAV per Unit (“**P/RNAV**”) and the discount of the Offer Price to RNAV per Unit as at 31 March 2019 were 0.197x and 80.3% respectively. We note that the P/RNAV and the P/NAV are not materially different.

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

Except for the Revalued Assets identified above, the Directors and the Management of FSL Trust had confirmed that, to their best knowledge and belief, as at the Latest Practicable Date, on aggregate basis, there are no material differences between the estimated fair value of the other assets for which no valuation was obtained and their respective book value. The Directors confirmed that they are aware of and are satisfied with the selection of the Revalued Assets for the valuation exercise.

We have been furnished by FSL Trust with the valuation report in respect of the fair value of the Revalued Assets. For the avoidance of doubt, as we are not experts in the evaluation or appraisal of assets, we have not made any independent evaluation or appraisal of the Revalued Assets and have relied solely on the valuation reports for the fair value of the Revalued Assets.

### 7.3.3 Adjusted NAV of FSL Trust

As mentioned in section 7.3.1 above, we note that the unaudited NAV attributable to Unitholders as at 31 March 2019 may differ from the NAV as at Latest Practicable Date. Due to the material events that occurred after 31 March 2019, we have adjusted the NAV of FSL Trust to reflect the financial effect of FSL Trust taking into account the completion of the Preferential Offering on 7 June 2019, which raised net proceeds of S\$42.5 million or approximately US\$31.2 million, as follows:

**Table 4: Adjusted NAV**

|  | Unaudited<br>as at<br>31-Mar-19 | Adjusted<br>as at<br>31-Mar-19 |
|--|---------------------------------|--------------------------------|
| <b>NAV attributable to Unitholders (US\$'000)</b>                      | <b>158,271</b>                  | <b>158,271</b>                 |
| Net proceeds from the Preferential Offering (US\$'000) <sup>(2)</sup>  | –                               | 31,178                         |
| <b>NAV / Adjusted NAV (US\$'000)</b>                                   | <b>158,271</b>                  | <b>189,449</b>                 |
| Number of ordinary Units of FSL Trust (ex treasury units)              | 637,456,577                     | 637,456,577                    |
| Number of new Units allotted and issued from the Preferential Offering | –                               | 956,184,865                    |
| <b>Total number of ordinary Units of FSL Trust</b>                     | <b>637,456,577</b>              | <b>1,593,641,442</b>           |
| <b>NAV / Adjusted NAV Per Unit (US\$)</b>                              | <b>0.248</b>                    | <b>0.119</b>                   |
| <b>NAV / Adjusted NAV Per Unit (S\$)<sup>(2)</sup></b>                 | <b>0.339</b>                    | <b>0.162</b>                   |
| Offer Price (S\$)  | 0.0585                          | 0.0585                         |
| <b>Offer Price to NAV / Adjusted NAV per Unit (x)</b>                  | <b>0.173</b>                    | <b>0.361</b>                   |
| Discount of Offer Price to NAV / Adjusted NAV per Unit (%)             | 82.7%                           | 63.9%                          |

**Notes:**

1. *Figures and computations above are subject to rounding and exchange rate differences.*
2. *Based on US\$ / S\$ exchange rate of 1.3641 as at 6 June 2019, the day before the Offer Announcement Date. (Source: Bloomberg L.P.)*

For illustrative purposes only, the Offer Price to Adjusted NAV per Unit (“**Adjusted NAV**”) and the discount of the Offer Price to Adjusted NAV per Unit as at 31 March 2019 were 0.36x and 63.9% respectively.

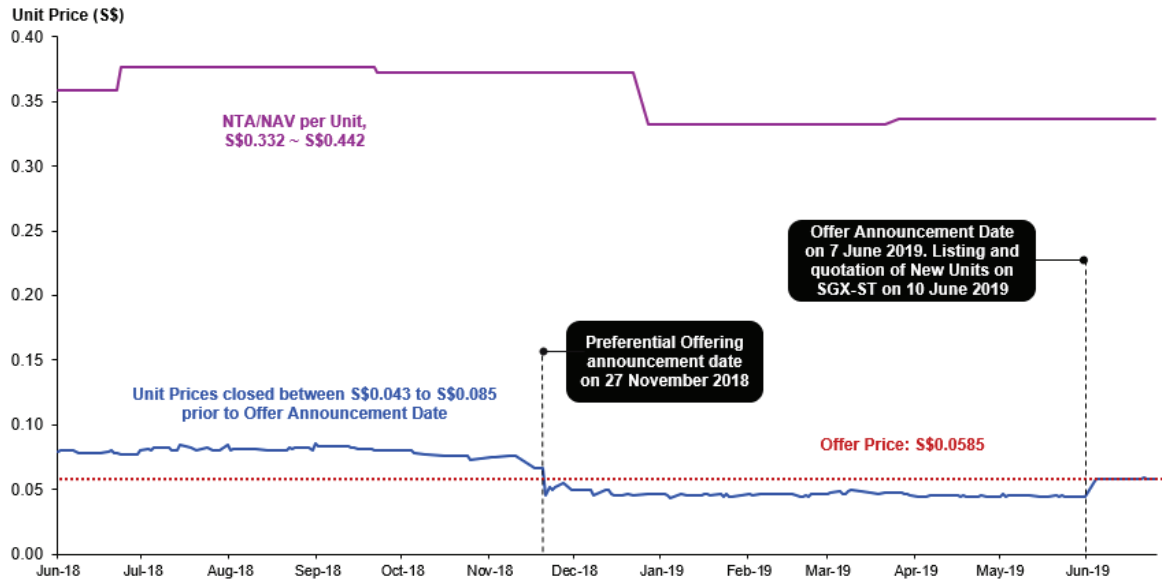
**Unitholders should note that the computation above is solely for illustration purposes as the NAV may not be fully realisable at its book value or revalued value, especially within a short time frame, and the market value of some of these assets may vary depending on, amongst others, the prevailing market and economic conditions and whether a buyer can be found for such assets.**

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

### 7.3.4 Historical Unit prices of FSL Trust against its trailing NAV/NTA per Unit

We have compared the historical Unit prices of FSL Trust and the Offer Price against the trailing NAV/NTA per Unit of the Group over the 12 months period prior to the Last Trading Day, as shown below:

**Chart 2: Historical Unit prices of FSL Trust against its trailing NAV/NTA per Unit**



Source: Bloomberg as at the Latest Practicable Date, annual reports and interim financial statements

Based on Chart 2 above, we note that the closing Unit prices of FSL Trust had historically been trading at a discount of between 77.4% and 87.9% to its NAV/NTA per Unit in the past 12 months prior to and including the Last Trading Day.

### 7.3.5 Comparison of P/Adjusted NAV against comparable companies and precedent non-privatisation transactions

We have compared the P/Adjusted NAV of FSL Trust against the P/Adjusted NAV of comparable companies to FSL Trust. Please refer to section 7.4 of this IFA Letter.

We have also compared the P/Adjusted NAV of FSL Trust against the offer price to NAV/NTA multiple of precedent non-privatisation transactions. Please refer to section 7.5 of this IFA Letter.

### 7.4 Relative Valuation Analysis

In assessing the reasonableness of the Offer Price, we have also considered the financial performance, financial position and valuation statistics of selected comparable companies listed on the SGX-ST (“**Comparable Companies**”) that may, in our view, be broadly comparable to the Offshore Oil & Gas Services segment. We have selected Comparable Companies in the Offshore Oil & Gas Services segment with market capitalisation of below S\$150.0 million.

We advise the Directors to note that **there may not be any company listed on the SGX-ST that is directly comparable to FSL Trust in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria.** We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Comparable Companies as the business of these selected companies, their capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these units and the demand/supply conditions for these units and that of FSL Trust may differ. In addition, we wish to highlight that the

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

list of Comparable Companies is by no means exhaustive. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of FSL Trust as at the Latest Practicable Date.

The Directors should note that the prices at which units trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of the financial performance, the historical unit price performance, the demand/supply conditions of the units, the relative liquidity of the units, the relative sentiments of the market for the units, as well as the market capitalisation.

### 7.4.1 Comparable Companies for the Offshore Oil & Gas Services segment

| Comparable Companies<br>(all these companies are listed on the SGX-ST) | Market capitalisation<br>(S\$ million) | Principal activities   |
|--|--|--|
| Courage Investment Group Ltd   | 20.3                                   | Courage Investment Group Limited provides marine transportation services with its fully-owned and operated dry bulk carriers. The company's fleet is deployed primarily in waters around the Greater China region, as well as Japan, Vietnam, Bangladesh, and elsewhere in Asia.   |
| Kim Heng Offshore & Marine Holdings Ltd                                | 40.4                                   | Kim Heng Offshore & Marine Holdings Limited operates as an investment holding company. The company, through its subsidiaries, provides offshore rig mover and marine support services which includes construction, fabrication works, installation, afloat repairs, refurbishment, and maintenance for drilling rigs and vessels, offshore production modules, systems, and platforms. |
| Marco Polo Marine Ltd  | 59.8                                   | Marco Polo Marine Limited is an integrated shipping company. The company provides services that include ship chartering, ship building and repair, and brokering services.   |
| Samudera Shipping Line Ltd   | 90.0                                   | Samudera Shipping Line Limited owns and operates ocean-going ships and provides containerized feeder shipping services. Through its subsidiaries, the company also owns and charters vessels, provides sea and air freight forwarding, and operates shipping agency and container freight station services.  |
| Seroja Investments Ltd   | 12.5                                   | Seroja Investments Ltd. provides charter services of tugboats and barges. The ships are primarily used to transport thermal coal, sand and other quarry materials.   |
| Singapore Shipping Corp Ltd  | 123.1                                  | Singapore Shipping Corporation Limited owns, charters, and manages ships and vessels. The company also provides warehousing and logistics, freight forwarding, tugging, and ancillary marine services. Singapore Shipping also operates shipping agencies and terminals.   |
| Vallianz Holdings Limited  | 71.6                                   | Vallianz Holdings Limited is a vessel and equipment owning, and leasing company. The company provides marine support services, primarily marine asset ownership, leasing, and fleet management.  |

Source: Bloomberg L.P. as at Latest Practicable Date

The following tabulates the key financial ratios for comparison of financial performance for the past 12 months period ended 31 March 2019 (“T12”) and financial position as at 31 March 2019 for the Comparable Companies and FSL Trust:

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

**Table 5: Financial Performance and debt position of FSL Trust and the Comparable Companies for the Offshore Oil & Gas Services segment**

| <b>Comparable Companies</b>                                       | <b>T12 ROE<sup>(1)</sup><br/>(%)</b> | <b>T12 Net profit/loss margin<sup>(2)</sup><br/>(%)</b> | <b>T12 Asset turnover<sup>(3)</sup><br/>(x)</b> | <b>Total liabilities/<br/>shareholders'<br/>equity<br/>(x)</b> | <b>Total borrowings/<br/>shareholders'<br/>equity<br/>(x)</b> | <b>Net Debt/<br/>Cash<br/>Position<sup>(4)</sup></b> |
|---|--------------------------------------|---|---|--|---|--|
| Courage Investment Group Ltd                                      | 7.6                                  | 11.2  | 0.3   | 1.4  | 1.3   | Net Debt   |
| Kim Heng Offshore & Marine Holdings Ltd                           | (16.5)                               | (21.1)  | 0.4   | 1.2  | 0.7   | Net Debt   |
| Marco Polo Marine Ltd   | (2.5)                                | (11.4)  | 0.2   | 0.1  | 0.0   | Net Cash   |
| Samudera Shipping Line Ltd  | 4.0                                  | 1.8   | 1.4   | 0.6  | 0.2   | Net Debt   |
| Seroja Investments Ltd  | 1.5                                  | 2.6   | 0.5   | 0.1  | 0.1   | Net Cash   |
| Singapore Shipping Corp Ltd                                       | 11.5                                 | 21.8  | 0.3   | 0.9  | 0.7   | Net Debt   |
| Vallianz Holdings Limited   | (80.2)                               | (69.5)  | 0.3   | 2.6  | 1.9   | Net Debt   |
| <b>High</b>   | 11.5                                 | 21.8  | 1.4   | 2.6  | 1.9   |  |
| <b>Low</b>  | (80.2)                               | (69.5)  | 0.2   | 0.1  | 0.0   |  |
| <b>Median</b>   | 1.5                                  | 1.8   | 0.3   | 0.9  | 0.7   |  |
| <b>Simple Average</b>   | (10.7)                               | (9.2)   | 0.5   | 1.0  | 0.7   |  |
| <b>FSL Trust<br/>(adjusted for the<br/>Preferential Offering)</b> | (10.7)                               | (24.4)  | 0.2   | 0.6  | 0.6   | Net Debt   |

Source: Bloomberg L.P. as at Latest Practicable Date, annual reports and the unaudited interim financial statements of the Comparable Companies

**Notes:**

1. The T12 Return on Equity ("**ROE**") was calculated based on the ratio of the T12 net profit after tax attributable to the shareholders to the shareholders' equity exclude minority interest as at the end of the latest published financial quarter of the respective companies.
2. T12 net profit/loss margin was calculated based on the ratio of T12 net profits/losses after tax attributable to shareholders to the T12 revenue of the respective companies.
3. T12 asset turnover was calculated based on the ratio of the T12 revenue to the total assets as at the end of the latest published financial quarter of the respective companies.
4. The Net Debt is the sum of all short-term and long-term debt less the total cash and cash equivalents as at the end of the latest published financial quarter. Net cash, in the context of this Letter, represents a positive cash position after deducting total debt from cash and its short-term equivalents.

Based on Table 5, we note the following:

- (i) FSL Trust's T12 ROE was negative and within the range but below the median (less favourable) of the Comparable Companies;
- (ii) FSL Trust's T12 net profit/loss margin was negative and within the range but below the median (less favourable) of the Comparable Companies;
- (iii) FSL Trust's T12 Asset turnover of 0.2x was within the range but below the median (less favourable) of the Comparable Companies;

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

- (iv) FSL Trust's total liabilities to shareholders' equity ratio and total borrowings to shareholders' equity ratio of 0.6x and 0.6x were within the range but below the median (more favourable) of the Comparable Companies; and
- (v) FSL Trust is in a net debt position.

**Table 6: Valuation Statistics of FSL Trust and the Comparable Companies for the Offshore Oil & Gas Services segment**

| Comparable Companies                          | Financial period | Market Capitalisation (\$ million) | T12 PER <sup>(1)</sup> (x) | T12 EV/EBITDA <sup>(2)</sup> (x) | P/NAV <sup>(3)</sup> (x)  |
|---|------------------|------------------------------------|----------------------------|----------------------------------|---------------------------|
| Courage Investment Group Ltd                  | 31-Dec-18        | 20.3                               | 12.0                       | 15.6                             | 0.9                       |
| Kim Heng Offshore & Marine Holdings Ltd       | 31-Mar-19        | 40.4                               | N.M.                       | N.M.                             | 0.7                       |
| Marco Polo Marine Ltd                         | 31-Mar-19        | 59.8                               | N.M.                       | 12.9                             | 0.5                       |
| Samudera Shipping Line Ltd                    | 31-Mar-19        | 90.0                               | 8.5                        | 4.2                              | 0.4                       |
| Seroja Investments Ltd                        | 31-Mar-19        | 12.5                               | 9.3                        | 2.8                              | 0.3                       |
| Singapore Shipping Corp Ltd                   | 31-Mar-19        | 123.1                              | 8.6                        | 6.2                              | 1.0                       |
| Vallianz Holdings Limited                     | 31-Mar-19        | 71.6                               | N.M.                       | 10.0                             | 0.4                       |
| <b>High</b>                                   |                  |                                    | 12.0                       | 15.6                             | 1.0                       |
| <b>Low</b>                                    |                  |                                    | 8.5                        | 2.8                              | 0.3                       |
| <b>Median</b>                                 |                  |                                    | 9.0                        | 8.1                              | 0.5                       |
| <b>Simple Average</b>                         |                  |                                    | 9.6                        | 8.6                              | 0.6                       |
| <b>FSL Trust (implied by the Offer Price)</b> | <b>31-Mar-19</b> | <b>93.2<sup>(4)</sup></b>          | <b>N.M.</b>                | <b>7.9</b>                       | <b>0.2 (P/NAV)</b>        |
|   |                  |                                    |                            |                                  | <b>0.4 (Adjusted NAV)</b> |

Source: Bloomberg L.P. as at Latest Practicable Date, annual reports and the unaudited interim financial statements of the Comparable Companies.

**Notes:**

1. T12 Price-Earnings Ratio ("**PER**") was calculated based on the ratio of market capitalisation as at Latest Practicable Date to T12 net profits after tax attributable to shareholders of the respective companies.
2. The Enterprise Value ("**EV**") was calculated based on the sum of the companies' market capitalisation as at Latest Practicable Date, preferred equity, minority interests, short and long term debts less cash and cash equivalents. The T12 Earnings before Interest, Tax, Depreciation and Amortisation ("**EBITDA**") is computed based on the trailing 12 months period ending on the latest financial quarter for which financial results have been published.
3. The Price to NAV ("**P/NAV**") was calculated based on the ratio of market capitalisation as at the Latest Practicable Date to the NAV attributable to shareholders of the respective companies.
4. Based on offer price of S\$0.0585.
5. N.M. denotes not meaningful as the company reported negative earnings for the period.

Based on Table 6, we noted the following:

- (i) FSL Trust's T12 PER was not meaningful as FSL Trust reported negative net profits after tax for the period;
- (ii) FSL Trust's T12 EV/EBITDA multiple of 7.9x was within the range but below the median (less favourable) of the Comparable Companies;
- (iii) FSL Trust's Offer Price to NAV multiple of 0.2x based on FSL Trust's NAV as at 31 March 2019 was below the range (less favourable) of the Comparable Companies; and



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

- (iv) FSL Trust's Offer Price to Adjusted NAV multiple of 0.4x based on FSL Trust's Adjusted NAV as at 31 March 2019 was within the range but below the median (less favourable) of the Comparable Companies.

### 7.5 Precedent Non-Privatisation Transactions Analysis

In assessing the reasonableness of the Offer Price, we have also compared the valuation statistics implied by the Offer Price with those of selected recent non-privatisation transactions undertaken by SGX-ST listed companies.

For our analysis, we have compared the financial terms of the Offer against all precedent non-privatisation transactions carried out either by general takeover offer since January 2016 and up to the Latest Practicable Date.

**Table 7: Valuation Statistics of Precedent Non-Privatisation Transactions**

| Company  | Ann Date  | Offer Price (\$) | Premium/(Discount) over the                 |                                    |                                     | Offer Price to NTA/NAV (x) |
|--|-----------|------------------|---|------------------------------------|-------------------------------------|----------------------------|
|  |           |                  | Last transacted price prior to ann date (%) | 1-month VWAP prior to ann date (%) | 3-months VWAP prior to ann date (%) |                            |
| Abundance International Limited  | 24-Mar-16 | 0.05000          | 72.4  | 65.6                               | 67.2                                | 1.3 <sup>(1)</sup>         |
| Ellipsiz Ltd   | 07-Jul-16 | 0.38000          | 1.6   | 5.0                                | 8.0                                 | 0.5 <sup>(2)</sup>         |
| Halcyon Agri Corporation Limited   | 18-Jul-16 | 0.75000          | 24.0  | 51.7                               | 28.5                                | 3.3 <sup>(3)</sup>         |
| International Healthway Corporate Limited  | 16-Feb-17 | 0.10600          | 0.0   | 14.0                               | 20.5                                | 0.9 <sup>(4)</sup>         |
| CMC Infocomm Limited   | 07-May-17 | 0.09500          | 74.4  | 18.8                               | 34.6                                | 1.7 <sup>(5)</sup>         |
| Cityneon Holdings Limited  | 12-May-17 | 0.90000          | (5.4)                                       | 0.6                                | 3.9                                 | 3.2 <sup>(6)</sup>         |
| Mary Chia Holdings Limited   | 24-Aug-17 | 0.11100          | 68.2  | 93.0                               | 96.1                                | 2.8 <sup>(7)</sup>         |
| Blumont Company Ltd  | 24-Aug-17 | 0.00018          | (81.8)                                      | (87.9)                             | (86.0)                              | 0.6 <sup>(8)</sup>         |
| BRC Asia Limited   | 08-Sep-17 | 0.92500          | 33.1  | 30.3                               | 35.3                                | 0.8 <sup>(9)</sup>         |
| New Wave Holdings Ltd.   | 19-Oct-17 | 0.0130           | 44.4  | 38.0                               | 9.0                                 | 0.9 <sup>(10)</sup>        |
| TMC Education Corporation Ltd.   | 15-Dec-17 | 0.06750          | 68.8  | 50.0                               | 29.8                                | 1.5 <sup>(11)</sup>        |
| CH Offshore Ltd.   | 26-Jul-18 | 0.13000          | 0.0   | (11.0)                             | (11.6)                              | 0.5 <sup>(12)</sup>        |
| Chew's Group Limited   | 22-Aug-18 | 0.21070          | 26.2  | 30.9                               | 33.4                                | 1.2 <sup>(13)</sup>        |
| Sunrise Shares Holding Ltd.  | 06-Dec-18 | 0.01700          | 21.4  | 30.8                               | 36.0                                | 0.3 <sup>(14)</sup>        |
| SEVAK Limited  | 21-Mar-19 | 4.00000          | 25.0  | 21.0                               | 12.0                                | 1.1 <sup>(15)</sup>        |
| Ying Li International Real Estate Limited  | 03-Apr-19 | 0.14000          | 0.7   | 5.7                                | 10.5                                | 0.3 <sup>(16)</sup>        |
| JEP Holdings Ltd.  | 14-May-19 | 0.15000          | (12.8)                                      | (4.6)                              | (5.2)                               | 0.7 <sup>(17)</sup>        |
| <b>High</b>  |           |                  | <b>74.4</b>                                 | <b>93.0</b>                        | <b>96.1</b>                         | <b>3.3</b>                 |
| <b>Low</b>   |           |                  | <b>(81.8)</b>                               | <b>(87.9)</b>                      | <b>(86.0)</b>                       | <b>0.3</b>                 |
| <b>Median</b>  |           |                  | <b>24.0</b>                                 | <b>21.0</b>                        | <b>20.5</b>                         | <b>0.9</b>                 |
| <b>Simple Average</b>  |           |                  | <b>21.2</b>                                 | <b>20.7</b>                        | <b>18.9</b>                         | <b>1.3</b>                 |
| <b>FSL Trust</b>   |           |                  |   |                                    |                                     |                            |
| (implied by the Offer Price and based on Unit prices prior to the Last Trading Date) | 7-Jun-19  | 0.05850          | 33.0  | 32.1                               | 30.9                                | 0.2 (P/NAV)                |
|  |           |                  |   |                                    |                                     | 0.4 (Adjusted NAV)         |

Source: Circulars of the respective selected transactions

---

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

---

Notes:

1. Based on the NTA per share of Abundance International Limited as at 31 December 2015 and enlarged share capital pursuant to the share issuance on 24 March 2016;
2. Based on unaudited NAV per share of Ellipsiz Ltd as at 30 June 2016;
3. Based on the offer price of S\$0.75, Halcyon Agri Corporation Limited's last 12-month financials, the last transacted price of S\$0.605 for the company's shares on 8 September 2015, and the respective VWAP periods up to and including 8 September 2015;
4. Based on the NTA per share of International Healthway Corporate Limited as at 30 September 2016;
5. Based on the NTA per share of CMC Infocomm Limited as at 30 November 2016;
6. Based on the NAV per share of Cityneon Holdings Limited as at 31 December 2016;
7. Based on the revalued NAV (excluding non-controlling interest) per share of Mary Chia Holdings Limited as at 31 March 2017;
8. Based on the revalued NTA per share of Blumont Company Ltd as at 30 June 2017;
9. Based on the revalued NAV per share of BRC Asia Limited as at 30 June 2017;
10. Based on revalued NTA per share of New Wave Holdings Ltd. as at 30 September 2017;
11. Based on the adjusted NTA per share of TMC Education Corporation Ltd. as at 30 June 2017;
12. Based on the revalued NAV per share of CH Offshore Ltd. as at 30 June 2018;
13. Based on the adjusted NAV per share of Chew's Group Limited as at 31 March 2018;
14. Based on the NAV per share of Sunrise Shares Holding Ltd. as at 30 June 2018. The NAV per share was adjusted for the 171,000,000 new shares issued on 20 November 2018 pursuant to a placement exercise;
15. Based on NAV per share of SEVAK Limited as at 31 December 2018;
16. Based on revalued NAV per share of Ying Li International Real Estate Limited as at 31 December 2018; and
17. Based on revalued NAV per share of JEP Holdings Ltd. as at 31 December 2018.

Based on Table 7, we noted that:

- (i) the Offer Price is at a premium of 33.0%, 32.1% and 30.9% for the Group as implied by the Offer Price over the last transacted price, 1-month and 3-months VWAP for the Units prior to the Offer Announcement Date, respectively, are within the comparable range and above the median (more favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions;
- (ii) the Group's Offer Price to NAV multiple of 0.2x based on the Group's NAV as at 31 March 2019 was below the range (less favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions; and
- (iii) the Group's Offer Price to Adjusted NAV multiple of 0.4x based on the Group's Adjusted NAV as at 31 March 2019 was within range but at the lower end of the range and below the median (less favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions.

**We wish to highlight that the circumstances for each of the transactions is unique and as the companies of transactions involved may not be directly comparable to FSL Trust in terms of business activities, size of operations, market capitalisation, asset base, risk profile, track record, future prospects, time and other relevant criteria. As such, the analysis is necessarily limited. Furthermore, the list of precedent non-privatisation transactions is by no means exhaustive and information relating to the said companies was compiled from publicly available information. Accordingly, any comparison between the Offer and the precedent non-privatisation transactions serves as an illustrative guide only.**

---

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

---

### 7.6 Rationale for the Offer and the Offeror's intention with regards to FSL Trust

The rationale for the Offer as stated in **Section 6** of the Offer Document is reproduced below:

***“The Offeror is making the Offer in compliance with the requirements of the Code, as the Concert Party Group was issued in aggregate 719,353,464 Units pursuant to the Preferential Offering. On the date of issuance of the New Units pursuant to the Preferential Offering, the unitholding of the Concert Party Group in FSL Trust increased from an aggregate of 157,877,631 Units, representing 24.77% before the Preferential Offering, to 877,231,095 Units (including the New Units issued pursuant to the Preferential Offering), representing approximately 55.04% of the total issued Units as of the Offer Announcement Date and approximately 49.59% of the Maximum Potential Total Units.”***

The Offeror's intention for FSL Trust as stated in **Section 7** of the Offer Document is reproduced below:

***“The Offeror is currently the controlling Unitholder of FSL Trust. It is the current intention of the Offeror that FSL Trust continues with its existing activities and there are presently no plans to (i) make any material changes to FSL Trust's existing business, (ii) re-deploy any of its fixed assets or (iii) discontinue the employment of its existing employees, other than in the ordinary course of business. The Offeror however retains the discretion and flexibility to conduct a review of the operations of FSL Trust and to consider any options or opportunities which may present themselves and which it regards to be in the interests of FSL Trust and its Unitholders following the close of the Offer.”***

The Offeror's intention with regards to the listing status of FSL Trust as stated in **Section 8** of the Offer Document is reproduced below:

***“The Offeror does not have any present intention to actively pursue the delisting of FSL Trust from the Mainboard of the SGX-ST. In the event that the Free Float Requirement is not satisfied at the close of the Offer, the Offeror reserves the right and discretion to assess the options available at that time. Accordingly, there is no assurance that the Offeror will support any action or take any steps to maintain the listing status of FSL Trust on the Mainboard of the SGX-ST in the event that the Free Float Requirement is not satisfied by FSL Trust.”***

As at the Latest Practicable Date, the Concert Party Group holds in aggregate 881,918,995 Units, representing approximately 55.34 per cent. of the total issued Units of FSL Trust and approximately 49.86 per cent. of the Maximum Potential Total Units.

### 7.7 Distribution Track Record of the Group

We note that the Group did not make any distributions since 2012, with the last distribution made for on 31 May 2012, with a carried out distribution of US\$0.001 per Unit.

The Directors have confirmed that the Group does not have a fixed distribution policy and that they will recommend future distributions after taking into consideration the Group's cash and financial position, financial performance of the Group, working capital requirements, projected capital expenditure and other investment plans.

The Directors have also confirmed that the Group currently does not have any plan to distribute its cash to its unitholders by way of a special distribution or otherwise.

We wish to highlight that the above distribution analysis of the Group serves only as an illustrative guide and is not an indication of the Group's future distribution policy.

---

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

---

### 7.8 Other Relevant Considerations

#### 7.8.1 No revision in Offer Price

Pursuant to **Section 2.1** of the Offer Document, we note that the Offer Price is final and the Offeror does not intend to revise the Offer Price.

#### 7.8.2 No Competing Offer Received

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, there is no competing offer or proposal received from any third party. We also note that there is no publicly available evidence of any alternative offer for the Units from any third party.

#### 7.8.3 Transaction costs in connection with the disposal of the Units

The Offer presents an opportunity for Unitholders to dispose of their Units for cash without any transaction costs as opposed to the sale of the Units in the open market which will incur expenses such as brokerage or other trading costs.

## 8 FINANCIAL ASSESSMENT OF THE CONVERTIBLE BONDS OFFER

As at Latest Practicable Date, the FSL Trust has US\$7,250,000 in aggregate principal amount of redeemable 7% convertible bonds (the “**Convertible Bonds**”) which are convertible into Units at a conversion price of S\$0.05644 per Unit into 175,225,461 new Units. We also note that the Convertible Bonds are not listed and have a maturity date of 20 November 2020.

In evaluating Convertible Bonds Offer, we have assessed the Convertible Bonds Offer Price against the following:

- (i) Historical quoted prices of the Convertible Bonds;
- (ii) Conversion price of the Convertible Bonds;
- (iii) Absolute proceeds receivable by the Bondholder assuming held to maturity;
- (iv) Other valuation methodologies of the Convertible Bond; and
- (v) Other relevant considerations.

### 8.1 Historical quoted prices of the Convertible Bonds

As the Convertible Bonds are not quoted or traded on any exchange, we are not able to compare the Convertible Bonds Offer Price against any historical trading price of the Convertible Bonds.

### 8.2 Conversion price of the Convertible Bonds

Based on the terms of the Convertible Bonds, the Bondholder is able to convert the Convertible Bonds into Units at the conversion price of S\$0.05644 per Unit (“**Conversion Price**”) as at Latest Practicable Date. As the Offer Price of S\$0.0585 is 3.6% higher than the Conversion Price, the Bondholder will be able to immediately realise a profit of 3.6%, should it choose to accept the Convertible Bonds Offer or convert the Convertible Bonds into Units and accept the Offer based on the Offer Price.

### 8.3 Absolute proceeds receivable by the Bondholder assuming held to maturity

We note that the Bondholder has the option of holding on to the Convertible Bond till its maturity and receiving scheduled interest and principal payments, in aggregate of US\$8,011,250 or approximately S\$10,861,653 (based on the US\$:S\$ exchange rate of 1.3558 as at Latest Practicable Date).

---

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

---

Assuming that the Bondholder accepts the Convertible Bonds Offer, the Bondholder is entitled to receive S\$10,250,702.50 in cash which is 5.6% lower than the total proceeds of S\$10,861,653, which the Bondholder will stand to receive in aggregate if the Convertible Bond is held till maturity.

If the Bondholder wishes to divest its investment in the Convertible Bonds, the Bondholder can either accept the Convertible Bonds Offer or convert the Convertible Bonds into Units and accept the Offer. However, the Bondholder will lose the interest accrued if the Convertible Bonds Offer is accepted.

The Bondholder should note that the above analysis is for illustration only and that the S\$ equivalent of absolute proceeds received in the abovementioned scenario will be subject to fluctuation in the US\$:S\$ exchange rate as the Convertible Bonds are denominated in US\$ but the Convertible Bonds Offer Price is in S\$.

### 8.4 Other valuation methodologies of the Convertible Bond

We note that, in addition to the “see-through” price methodology prescribed by the Code, there exist other fundamental valuation methodologies, such as binomial and trinomial models, through which the Convertible Bonds may be priced. The outputs from such models are driven by a number of input variables, which, depending on the specific assumptions adopted, can lead to higher or lower prices for the Convertible Bonds relative to the “see-through” price methodology.

These variables include, inter alia: the volatility estimation, the credit spread and the stock-borrow cost. It should be noted that the theoretical value of the Convertible Bonds using these other methodologies may not reflect the actual price of the Convertible Bonds to be transacted in the market, and there can be no assurance that an active trading of the Convertible Bonds will ensue or will trade at close to the theoretical value as suggested by these other methodologies.

### 8.5 Other relevant considerations

#### 8.5.1 Conditions of the Convertible Bonds Offer

The Convertible Bonds Offer is conditional upon (i) the Offer becoming or being declared unconditional and (ii) the Convertible Bonds continuing to be transferable to the Offeror and convertible into new Units.

We note that under the terms of the Bond Subscription Agreement, the Bondholder may not exercise its right to sell, transfer or assign the Convertible Bond to a Restricted Person (as set forth in Rule 812(1) of the Listing Manual) without obtaining prior approval from the Unitholders. As the Offeror is a Restricted Person, the approval of Unitholders is required before the Convertible Bonds can be transferred to the Offeror. As at the Latest Practicable Date, FSL Trust has not obtained the approval of Unitholders for the transfer of the Convertible Bonds to the Offeror.

Should the Bondholder choose to accept the Convertible Bonds Offer, the Bondholder should note that there is no certainty that it will receive the Convertible Bonds Offer unless the above two conditions are met.

**Accordingly, based on the Offer Unconditional Announcement, the Minimum Acceptance Condition has been satisfied and the Offer is declared unconditional in all respects on the Offer Unconditional Date.**

#### 8.5.2 Credit risk of FSL Trust

We note that the Convertible Bonds Offer provides the Bondholder with the ability to immediately monetize its investment in the Convertible Bonds. By not accepting the Convertible Bonds Offer, the Bondholder will continue to be exposed to the credit risk of FSL Trust if it does not accept the Convertible Bonds Offer or convert the Convertible Bond into Units.

We further note that FSL Trust has not defaulted any interest payments in relation to the Convertible Bond since its issuance in May 2018. In addition, based on FSL Trust’s FY2018 annual report, we note that the auditors did not have a going concern qualification in its opinion. We also note that the maturity date of the Convertible Bonds is less than 2 years from the Latest Practicable Date.

---

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

---

### 8.5.3 Redemption at the option of the Bondholder

The Bondholder has the right to convert its Convertible Bonds into Units at any time on and after the date of issue of the Convertible Bonds up to, and including, the close of business on the date immediately preceding the maturity date 20 November 2020.

Unless otherwise agreed by FSL Trust, the minimum aggregate principal amount of Bonds to be converted in any single conversion of Bonds shall be US\$100,000. FSL Trust may reject any conversion notice which relates to a request for conversion of the Convertible Bonds of an aggregate principal amount of less than US\$100,000.

In the event of a delisting of FSL Trust, the Bondholder has the right to require FSL Trust to redeem all (but not some only) of the Bondholder's Convertible Bonds at their principal plus interest accrued at the rate of seven (7) % per annum from the date of issue of such Convertible Bonds up till the date of redemption.

### 8.5.4 Redemption at the option of FSL Trust

At any time during the 12-month period commencing from 24 April 2018, FSL Trust may, having given not less than ninety (90) days' notice to the Bondholder (which notice shall be irrevocable) redeem all, or some only, of the Convertible Bonds at their principal amount plus interest accrued at the rate of seven (7) % per annum from the date of issue of such Bonds up till the date of redemption.

As at the Latest Practicable Date, FSL Trust has not redeemed any amount of the Convertible Bond and the Bondholder has not converted any amount of the Convertible Bonds into Units of FSL Trust.

### 8.5.5 Convertible Bonds remain convertible till maturity

Subject to the Convertible Bonds not having been redeemed by FSL Trust or compulsorily acquired by the Offeror, the Convertible Bonds remain convertible into Units until their maturity.

We note that the Offeror does not have any present intention to actively pursue the delisting of FSL Trust from the Mainboard of SGX-ST. Nevertheless, with respect to the Offer, in the event that FSL Trust is delisted from the SGX-ST and the Bondholder does not accept the Convertible Bonds Offer, the Convertible Bonds would be converted into unlisted Units if the Bondholder so chooses to convert in the future.

## 9 SUMMARY OF ANALYSIS

### The Offer

In arriving at our opinion in respect of the financial terms of the Offer, we have deliberated on various factors which we consider to be pertinent and have a significant bearing on our assessment including, *inter alia*, the following:

#### (a) Rationale for the Offer

We note that the Offer is made by the Offeror to comply with Rule 14.1 of the Code because following the completion of the Preferential Offering, the Offeror and parties acting in concert with it have acquired Units which represent in excess of 30% of the voting rights of FSL Trust.

#### (b) Financial performance and position of the Group

##### Declining financial performance of the Group for three consecutive financial years

We note that revenue for FSL Trust has been declining since FY2016 and FSL Trust was in a net loss position from FY2016 to FY2018, 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. However, both revenue and net income have improved in 1Q2019 over 1Q2018 mainly due to increase revenue from bareboat charter.

---

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

---

### (c) Historical Unit price performance and trading liquidity

#### Unit price trading below Offer Price following announcement of Preferential Offering

On 26 November 2018, FSL Trust announced the Preferential Offering of 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.

Between the date of announcement of the Preferential Offering and up to the Last Trading Day, the Units were trading below the Offer Price at a range between S\$0.043 to S\$0.055.

#### Premium of Offer Price over historical trading price of the Units

We note that the Offer Price is at a premium of approximately 32.1%, 30.9%, 30.0% and 3.7% to the VWAP for the Units for the period on the 1-month, 3-months, 6-months, and 12-months prior to the Last Trading Day respectively. The Offer Price is also at a premium of approximately 33.0% to the closing price for the Units on the Last Trading Day.

#### Low trading volume for the Units

We note that the trading volume of the Units had generally been low in the past 12 months prior to the Offer Announcement Date. The Offer will provide an exit option for those Unitholders who wish to realise their investments in the Units but find it difficult to do so as a result of the low trading liquidity. However, Unitholders should note that the past trading performance for the Units should not be relied upon as an indication of its future trading performance.

### (d) The Group's NAV, NTA, RNAV and Adjusted NAV

#### The Offer Price is at a significant discount to the NAV, RNAV and Adjusted NAV

The Group's P/NAV was approximately 0.2x. The Group had no intangible assets as at 31 March 2019, accordingly there is no difference between the NAV and NTA for the Group.

The Group's P/RNAV was similar to the P/NAV at approximately 0.2x.

The Group's P/ Adjusted NAV was approximately 0.4x.

#### Historical Unit price had consistently been trading at a discount to NAV per Unit

We note that the closing Unit Prices of the Company had been trading below its NAV/NTA per Unit in the past 12 months prior to and including the Last Trading Day, at a discount of between 77.4% and 87.9%.

#### Comparison of the Offer Price to NAV per Unit against Comparable Companies and Precedent Non-Privatisation Transactions

The Offer Price to FSL Trust's NAV as at 31 March 2019 multiple of 0.2x was below the range (less favourable) of the Comparable Companies.

The Offer Price to FSL Trust's NAV as at 31 March 2019 multiple of 0.2x was below the range (less favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions.

#### Comparison of the Offer Price to Adjusted NAV per Unit against Comparable Companies and Precedent Non-Privatisation Transactions

The Offer Price to FSL Trust's Adjusted NAV as at 31 March 2019 multiple of 0.4x was within the range but below the median (less favourable) of the Comparable Companies.

The Offer Price to FSL Trust's Adjusted NAV as at 31 March 2019 multiple of 0.4x was within range but below the median (less favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions.

---

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

---

### Book value or revalued book value may not be fully realisable

Unitholders should note that the NAV may not be fully realisable at its book value or revalued value, especially within a short time frame, and the market value of some of these assets may vary depending on, amongst others, the prevailing market and economic conditions and whether a buyer can be found for such assets.

### **(e) Relative valuation analysis**

The Group's performance ratio and debt position were generally within range compared to the Comparable Companies

FSL Trust's T12 ROE was negative and within the range but below the median (less favourable) of the Comparable Companies;

FSL Trust's T12 net profit/loss margin was negative and within the range but below the median (less favourable) of the Comparable Companies;

FSL Trust's T12 Asset turnover of 0.2x was within the range but below the median (less favourable) of the Comparable Companies;

FSL Trust's total liabilities to shareholders' equity ratio and total borrowings to shareholders' equity ratio of 0.6x and 0.6x were within the range but below the median (more favourable) of the Comparable Companies; and

FSL Trust is in a net debt position.

FSL Trust's T12 PER was not meaningful as FSL Trust reported negative net profits after tax for the period;

FSL Trust's T12 EV/EBITDA multiple of 7.9x was within the range but below the median (less favourable) of the Comparable Companies;

### **(f) Comparison against Precedent Non-Privatisation Transactions**

The premium of the Offer Price over the last transacted price, 1-month and 3-months VWAP for the Units prior to the Offer Announcement Date are within the comparable range and above the median (more favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions.

### **(g) Intention of the Offeror in relation to FSL Trust**

Following the Offer, the Offeror intends to continue with the existing activities of FSL Trust and does not intend to (i) make any material changes to FSL Trust's existing business, (ii) re-deploy any of its fixed assets or (iii) discontinue the employment of its existing employees, other than in the ordinary course of business.

Although the Offeror also does not have any present intention to actively pursue the delisting of FSL Trust from the Mainboard of the SGX-ST. In the event that the Free Float Requirement is not satisfied at the close of the Offer, the Offeror reserves the right and discretion to assess its options available at that time. Accordingly, there is no assurance that the Offeror will support any action or take any steps to maintain the listing status of FSL Trust on the Mainboard of the SGX-ST in the event that the Free Float Requirement is not satisfied by FSL Trust.

As at the Latest Practicable Date, the Concert Party Group holds in aggregate 881,918,995 Units, representing approximately 55.34 per cent. of the total issued Units of FSL Trust and approximately 49.86 per cent. of the Maximum Potential Total Units.



---

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

---

**(h) Distribution Track Record of the Group**

We note that the Group did not make any distributions since 2012, with the last distribution made on 31 May 2012, with a carried out distribution of US\$0.001 per Unit. The Directors have confirmed that the Group does not have a fixed distribution policy and that they will recommend future distributions after taking into consideration the Group's cash and financial position, financial performance of the Group, working capital requirements, projected capital expenditure and other investment plans.

**(i) Other Relevant Considerations**

No revision in Offer Price

Pursuant to **Section 2.1** of the Offer Document, we note that the Offeror does not intend to revise the Offer Price under any circumstances.

No Competing Offer Received

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, there is no competing offer or proposal received from any third party. We also note that there is no publicly available evidence of any alternative offer for the Units from any third party.

Transaction costs in connection with the disposal of the Units

The Offer presents an opportunity for Unitholders to dispose of their Units for cash without any transaction costs as opposed to the sale of the Units in the open market which will incur expenses such as brokerage or other trading costs.

**The Convertible Bonds Offer**

In arriving at our opinion in respect of the financial terms of the Convertible Bonds Offer, we have deliberated on various factors which we consider to be pertinent and have a significant bearing on our assessment including, *inter alia*, the following:

- (a) The Convertible Bonds are not listed and there is no market price for the Convertible Bonds;
- (b) The Offer Price of S\$0.0585 is 3.6% higher than the Conversion Price, as such, the Bondholder will be able to immediately realise a profit of 3.6%, should the Bondholder choose to accept the Convertible Bonds Offer or convert the Convertible Bonds into Units and accept the Offer based on the Offer Price;
- (c) The total Convertible Bonds Offer amount of S\$10,250,702 is 5.6% lower than the total proceeds of S\$10,861,653 that the Bondholder will stand to receive from scheduled interest and principal repayments, if the Bondholder holds the Convertible Bonds till maturity; and
- (d) As the Offeror is a Restricted Person, the approval of Unitholders is required before the Convertible Bonds can be transferred to the Offeror. As at the Latest Practicable Date, FSL Trust has not obtained the approval of Unitholders for the transfer of the Convertible Bonds to the Offeror. Should the Bondholder choose to accept the Convertible Bonds Offer, the Bondholder should note that there is no certainty that it will receive the Convertible Bonds Offer unless the above condition is met; and
- (e) The Convertible Bonds Offer provides the Bondholder with the ability to immediately monetize its investment in the Convertible Bonds. By not accepting the Convertible Bonds Offer, the Bondholder will continue to be exposed to the credit risk of FSL Trust.

---

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

---

### 10 RECOMMENDATION AND CONCLUSION

#### 10.1 The Offer

Having carefully considered the information available to us, and the analysis set out in section 9 of this IFA Letter, and based upon the industry, market, economic and other relevant considerations as at the Latest Practicable Date, and subject to the qualifications and assumptions made herein, we are of the view that, on balance, the financial terms of the OFFER is **NOT FAIR BUT REASONABLE**.

In determining that the Offer is **NOT FAIR**, we have considered the following pertinent factors in our assessment of the Offer:

- (i) The Offer Price is at a discount of 63.9% to the Adjusted NAV per Unit of the Group as at 31 March 2019;
- (ii) the Offer Price to Adjusted NAV multiple of 0.4x was within range but below the median (less favourable) of the corresponding ratios of the Comparable Companies; and
- (iii) the Offer Price to Adjusted NAV multiple of 0.4x was within range but below the median (less favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions;

notwithstanding that the Offer Price is at approximately 33.0%, 32.1%, 30.9%, 30.0% and 3.7% premium to the VWAP for the Units on the Last Trading Day and for the period on the 1-month, 3-months, 6-months, and 12-months prior to the Last Trading Day respectively.

In determining that the Offer is **REASONABLE**, we have considered the following pertinent factors in our assessment of the Offer:

- (i) the premium of the Offer Price over the last transacted price, 1-month and 3-months VWAP for the Units prior to the Offer Announcement Date, are within the comparable range and above the median (more favourable) of the corresponding ratios of the Precedent Non-Privatisation Transactions;
- (ii) the net losses incurred by FSL Trust for 3 consecutive years between FY2016 and FY2018, although we note that the revenue and net income for FSL Trust had improved in 1Q2019 over 1Q2018;
- (iii) the trading volume of the Units had generally been low in the past 12 months prior to the Offer Announcement Date and ending on the Latest Practicable Date. The Offer will provide an exit option for those Unitholders who wish to realise their investments in the Units but find it difficult to do so as a result of the low trading liquidity;
- (iv) although the Offeror presently has no intention to actively pursue the delisting of FSL Trust from the Mainboard of the SGX-ST, in the event that the Free Float Requirement is not satisfied by FSL Trust at the close of the Offer, the Offeror reserves the right and discretion to assess its options available at that time. Accordingly, there is no assurance that the Offeror will support any action or take any steps to maintain the listing status of FSL Trust on the Mainboard of the SGX-ST;
- (v) FSL Trust has not make any distributions since 2012, with the last distribution made on 31 May 2012, with a carried out distribution of US\$0.001 per Unit; and
- (vi) there is no publicly available evidence of any alternative offer for the Units from any third party.

---

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

---

Accordingly, we advise the Directors to recommend that Unitholders **ACCEPT** the Offer to realise their investment in FSL Trust or sell their Units in the open market if they can obtain a price higher than the Offer Price (after deducting expenses).

### 10.2 The Convertible Bonds Offer

Having carefully considered the information available to us, and the analysis set out in section 9 of this IFA Letter, and based upon the industry, market, economic and other relevant considerations as at the Latest Practicable Date, and subject to the qualifications and assumptions made herein, we are of the view that, on balance, the financial terms of the **CONVERTIBLE BONDS OFFER** is **NOT FAIR BUT REASONABLE**.

In determining that the Convertible Bonds Offer is **NOT FAIR**, we have considered the following pertinent factors in our assessment:

- (i) The total Convertible Bonds Offer amount of S\$10,250,702 is 5.6% lower than the total proceeds of S\$10,861,653 that the Bondholder will stand to receive from scheduled interest and principal repayments, if the Bondholder holds the Convertible Bonds till maturity;

notwithstanding that the Offer Price is 3.6% higher than the Conversion Price of the Convertible Bond and the Bondholder will be able to immediately realise a profit of 3.6% should it accept the Convertible Bonds Offer.

In determining that the Convertible Bonds Offer is **REASONABLE**, we have considered the following pertinent factors in our assessment:

- (i) The Convertible Bonds are not listed and there is no market price for the Convertible Bonds;
- (ii) The Convertible Bonds Offer provides the Bondholder with the ability to immediately monetize its investment in the Convertible Bonds; and
- (iii) The Bondholder will continue to be exposed to the credit risk of FSL Trust if it does not accept the Convertible Bonds Offer.

**Accordingly, we advise the Directors to recommend that the Bondholder ACCEPT the Convertible Bonds Offer or convert its Convertible Bonds into Units and accept the Offer.**

Directors, Unitholders and the Bondholder should note that the trading of the Units are subject to, *inter alia*, the performance and prospects of FSL Trust, prevailing market conditions, economic outlook and stock market conditions and sentiments. Accordingly, the advice of Stirling Coleman on the Offer and the Convertible Bonds Offer **do not and cannot take into account future trading activities or patterns or price levels that may be established for the Units after the Latest Practicable Date** since these are governed by factors beyond the ambit of Stirling Coleman's review and also, such advice, if given, would not fall within Stirling Coleman's terms of reference in connection with the Offer and Convertible Bonds Offer.

**We further recommend that the Directors should advise the Unitholders and the Bondholder that Stirling Coleman's opinion should not be relied upon by any Unitholder or the Bondholder as the sole basis for deciding whether to accept or reject the Offer and the Convertible Bonds Offer.**

In rendering the above advice, we have not had regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual Unitholder or the Bondholder. As each Unitholder or the Bondholder would have different investment objectives and profiles, we would advise that any individual Unitholder or the Bondholder who may require specific advice in relation to his investment objectives or portfolio should consult his broker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately.

---

## **APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS**

---

This Letter (for inclusion in the Circular) is addressed to the Directors for their benefit, in connection with and for the purpose of their consideration of the Offer and the Convertible Bonds Offer, but any recommendation made by the Directors in respect of the Offer to the Unitholders, and the Convertible Bonds Offer to the Bondholder remains the responsibility of the 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 apply by implication to any other matter.

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

YAP YEONG KEEN  
MANAGING DIRECTOR

---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

### 1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

| Name                       | Address   | Description                                   |
|----------------------------|---|---|
| Mr. Efstathios Topouzoglou | c/o 9 Temasek Boulevard<br>#19-03<br>Suntec Tower Two<br>Singapore 038989 | Non-Independent,<br>Non-Executive<br>Chairman |
| Mr. Michail Chalkias       | c/o 9 Temasek Boulevard<br>#19-03<br>Suntec Tower Two<br>Singapore 038989 | Non-Independent,<br>Non-Executive<br>Director |
| Mr. Michael Gray           | c/o 9 Temasek Boulevard<br>#19-03<br>Suntec Tower Two<br>Singapore 038989 | Lead Independent<br>Director                  |
| Mr. Michael Oliver         | c/o 9 Temasek Boulevard<br>#19-03<br>Suntec Tower Two<br>Singapore 038989 | Independent Director                          |
| Mr. Narayanan Sreenivasan  | c/o 9 Temasek Boulevard<br>#19-03<br>Suntec Tower Two<br>Singapore 038989 | Independent Director                          |

### 2. REGISTERED OFFICE

The registered office of the Trustee-Manager is at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989.

### 3. HISTORY AND PRINCIPAL ACTIVITIES

FSL Trust is a business trust constituted under the laws of Singapore and has been listed on the Main Board of the Singapore Exchange Securities Trading Limited since 27 March 2007. FSL Trust presently has a diversified portfolio of 18 well-maintained vessels comprising containerships and a variety of tankers, of which 10 vessels are leased to international shipping companies on long-term bareboat charters and 8 vessels are employed on short-term time charters or in pools.

### 4. UNITS

#### 4.1 Issued Units

FSL Trust only has one class of Units, and the total number of issued Units as at the Latest Practicable Date is 1,593,641,442 Units. FSL Trust does not have treasury Units as at the Latest Practicable Date.

---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

### 4.2 Capital, distributions and voting rights

The rights of Unitholders in respect of capital, distributions and voting are contained in the Trust Deed, which is available for inspection at the registered office of the Trustee-Manager, 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989. A copy of the Trust Deed is also available on the website of FSL Trust at <http://fsltrust.listedcompany.com/>.

The relevant provisions in the Trust Deed relating to the rights of Unitholders in respect of capital, distributions and voting have been extracted and reproduced in Appendix III to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Trust Deed and/or the Business Trusts Act.

### 4.3 Number of Units issued since the end of the last financial year

At the extraordinary general meeting held on 22 April 2019, the Unitholders had approved the Preferential Offering.

On 7 June 2019, the Company had issued and allotted an aggregate of 956,184,865 new Units to the entitled Unitholders who had taken up or validly subscribed for new Units under the Preferential Offering. Securityholders should refer to FSL Trust's circular dated 4 April 2019 and the announcements released by the Trustee-Manager on SGXNET for further details on the Preferential Offering.

Save as disclosed above, as at the Latest Practicable Date, there has been no issue of new Units since 31 December 2018, being the end of the last financial year.

### 4.4 Convertible Instruments

As at the Latest Practicable Date, FSL Trust has Convertible Bonds in a principal amount of US\$7,250,000, which are convertible into 175,225,461 new Units (based on an exchange rate as quoted in Bloomberg L.P. of US\$1:S\$1.3641 as of 6 June 2019, being the Last Trading Day) at a conversion price of S\$0.05644 per Unit (following the adjustment made to such conversion price as a result of the Preferential Offering in accordance with the terms and conditions of the Convertible Bonds as contained in the Bond Subscription Agreement).

Save as disclosed above, as at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, the Units.

## 5. DISCLOSURE OF INTERESTS

### 5.1 Interests of FSL Trust in Offeror Securities

FSL Trust does not have any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

### 5.2 Dealings by FSL Trust in Offeror Securities

FSL Trust has not dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.3 Interests of the Directors in Offeror Securities

Each of the following Directors, namely Mr. Efstathios Topouzoglou and Mr. Michail Chalkias, is also a director of the Offeror.

---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

Further, the Offeror 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 (i) 57% held by Joelma Holding Inc., which is 100% held by Mr. Efsthathios Topouzoglou, (ii) 21.5% held by Geomel Holding Inc., which is 100% held by Mr. Michail Chalkias and (iii) 21.5% held by Stella Maris Holding Inc.

Save as disclosed above and in section 4 of this Circular, none of the Directors has any direct or deemed interests in the Offeror Securities as at the Latest Practicable Date.

### **5.4 Dealings by the Directors in Offeror Securities**

None of the Directors has dealt for value in the Offeror Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### **5.5 Interests of the Directors in FSL Trust Securities**

As at the Latest Practicable Date, the direct or deemed interests of the Directors in the FSL Trust Securities are set out in the table below:

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

| Directors                  | Direct interest |  | Deemed interest            |  | Total interest             |  |  |
|----------------------------|-----------------|--|----------------------------|--|----------------------------|--|--|
|                            | No. of Units    | % based on the total number of issued Units as at the Latest Practicable Date <sup>(1)</sup> | No. of Units               | % based on the total number of issued Units as at the Latest Practicable Date <sup>(1)</sup> | No. of Units               | % based on the total number of issued Units as at the Latest Practicable Date <sup>(1)</sup> | % based on the total number of Units which may be in issue assuming the valid conversion of all the Convertible Bonds <sup>(2)</sup> |
| Mr. Efstathios Topouzoglou | –               | –  | 877,915,595 <sup>(3)</sup> | 55.09  | 877,915,595 <sup>(3)</sup> | 49.63  | 49.63  |
| Mr. Michail Chalkias       | –               | –  | 877,915,595 <sup>(4)</sup> | 55.09  | 877,915,595 <sup>(4)</sup> | 49.63  | 49.63  |
| Mr. Michael Gray           | 4,000,000       | 0.25   | –                          | –  | 4,000,000                  | –  | 0.23   |
| Mr. Michael Oliver         | –               | –  | –                          | –  | –                          | –  | –  |
| Mr. Narayanan Sreenivasan  | 1,250,000       | 0.08   | –                          | –  | 1,250,000                  | –  | 0.07   |

**Notes:**

- (1) Calculated based on 1,593,641,442 issued Units as at the Latest Practicable Date.
- (2) Calculated based on the total number of Units which may be in issue of 1,768,866,903 Units assuming that all the Convertible Bonds were validly converted into 175,225,461 new Units (based on an exchange rate as quoted in Bloomberg L.P. of US\$1:\$€1.3641 as of 6 June 2019, being the Last Trading Day).
- (3) Mr. Efstathios Topouzoglou is deemed to have an interest in (i) the 869,298,018 Units held directly by the Offeror; and (ii) the 8,617,577 Units held directly by the Trustee-Manager (which is an indirect wholly-owned subsidiary of the Offeror), as at the Latest Practicable Date.
- (4) Mr. Michail Chalkias is deemed to have an interest in (i) the 869,298,018 Units held directly by the Offeror; and (ii) the 8,617,577 Units held directly by the Trustee-Manager (which is an indirect wholly-owned subsidiary of the Offeror), as at the Latest Practicable Date.

Save as disclosed above, none of the Directors has any direct or deemed interests in the FSL Trust Securities as at the Latest Practicable Date.



---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

### 5.6 Dealings by the Directors in FSL Trust Securities

Save as disclosed below, none of the Directors has dealt for value in the FSL Trust Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

- (a) On 22 April 2019, Mr. Narayanan Sreenivasan acquired 500,000 Units *via* a market transaction at S\$0.045 per Unit.
- (b) On 7 June 2019, the following Directors were allotted and issued such number of Units as set out against their names below, pursuant to the Preferential Offering:

| Name of Director          | Issue price per Unit (S\$) | Total number of Units acquired |
|---------------------------|----------------------------|--------------------------------|
| Mr. Michael Gray          | 0.045                      | 3,000,000                      |
| Mr. Narayanan Sreenivasan | 0.045                      | 750,000                        |

Further, pursuant to the Preferential Offering, an aggregate of 5,170,546 and 714,182,918 Units at the issue price of S\$0.045 for each Unit were allotted and issued to the Trustee-Manager and the Offeror respectively. As mentioned in section 5.5 of Appendix II above, each of Mr. Efstathios Topouzoglou and Mr. Michail Chalkias is deemed interested in the Units held by the Trustee-Manager and the Offeror respectively.

- (c) Based on the Offer Document, the Offeror acquired 118,500 and 566,000 Units at S\$0.058 per Unit on 18 June 2019 and 19 June 2019 respectively. As mentioned above, each of Mr. Efstathios Topouzoglou and Mr. Michail Chalkias is deemed interested in the Units held by the Offeror.

### 5.7 Interests of the IFA in FSL Trust Securities

None of the IFA, its related corporations or any of the funds whose investments are managed by the IFA on a discretionary basis own or control any FSL Trust Securities as at the Latest Practicable Date.

### 5.8 Dealings by the IFA in FSL Trust Securities

None of the IFA, its related corporations or any of the funds whose investments are managed by the IFA on a discretionary basis have dealt for value in the FSL Trust Securities during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

### 5.9 Intentions of the Directors in respect of their Units

The Directors who hold Units have indicated their intention in respect of accepting or rejecting the Offer in respect of their Units as follows:

- (a) Mr. Michael Gray holds 4,000,000 Units as at the Latest Practicable Date. Mr. Michael Gray has informed the Trustee-Manager that, notwithstanding his concurrence with the IFA's opinion and his recommendation to the Unitholders to accept the Offer, he intends to reject the Offer in respect of all the Units held by him due to his investment profile and objectives.
- (b) Mr. Narayanan Sreenivasan holds 1,250,000 Units as at the Latest Practicable Date. Mr. Narayanan Sreenivasan has informed the Trustee-Manager that notwithstanding his concurrence with the IFA's opinion and his recommendation to the Unitholders to accept the Offer, he intends to reject the Offer in respect of all the Units held by him due to his investment profile and objectives.

---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

### 6. OTHER DISCLOSURES

#### 6.1 Directors' service contracts

As at the Latest Practicable Date:

- (a) there are no service contracts between any of the Directors or proposed directors with FSL Trust or the Trustee-Manager or any of their subsidiaries which have more than 12 months to run and which are not terminable by the employing company within the next 12 months without paying any compensation; and
- (b) there are no such contracts entered into or amended during the period commencing six (6) months prior to the Offer Announcement Date and ending on the Latest Practicable Date.

#### 6.2 Arrangements affecting Directors

- (a) As at the Latest Practicable Date, it is not proposed that any payment or other benefit shall be made or given to any Director or director of any other corporation which is by virtue of Section 2 of the Business Trust Act deemed to be related to FSL Trust or the Trustee-Manager, as compensation for loss of office or otherwise in connection with the Offer and/or the Convertible Bonds Offer.
- (b) Save for the making of the Offer and the Convertible Bonds Offer by the Offeror and save as otherwise disclosed in this Circular, as at the Latest Practicable Date, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer and/or the Convertible Bonds Offer.
- (c) Save for the making of the Offer and the Convertible Bonds Offer by the Offeror and save as otherwise disclosed in this Circular, as at the Latest Practicable Date, none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

### 7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save for information on FSL Trust that is publicly available (including but not limited to those set out below) and other than those entered into in the ordinary course of business, as at the Latest Practicable Date, neither FSL Trust nor its subsidiaries has entered into material contracts with persons who are interested persons (as defined in the Note on Rule 23.12 of the Code) during the period beginning three (3) years before the Offer Announcement Date, and ending on the Latest Practicable Date.

FSL-28 Inc. and FSL-29 Inc., each a wholly-owned subsidiary of FSL Trust, had entered into a bridging loan agreement dated 7 February 2019 ("**Bridging Loan Agreement**") with the Offeror, as lender, and the Trustee-Manager, as guarantor, pursuant to which the Offeror granted a secured, interest-bearing bridging loan of an aggregate principal amount of up to US\$25,000,000 to FSL-28 Inc. and FSL-29 Inc. (the "**Bridging Loan**"). Pursuant to the Bridging Loan Agreement, the Bridging Loan shall be available for a period of 6 months from the date of the Bridging Loan, and the borrowers shall have the right to drawdown on the Bridging Loan in a single or multiple tranches at any time during such period. Further, the interest on the Bridging Loan was 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. It was also provided in the Bridging Loan Agreement that the borrowers shall repay all outstanding amounts under the Bridging Loan on the date falling 12 months from the drawdown date. Please refer to FSL Trust's announcement dated 8 February 2019 for further details on the Bridging Loan.

Subsequently, the Offeror, FSL Trust, FSL-28 Inc. and FSL-29 Inc. entered into a set-off agreement dated 29 March 2019 ("**Set-Off Agreement**"), pursuant to which the Offeror was 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 Offeror and the Trustee-Manager to FSL Trust in respect of their subscription of new Units and excess new Units under the Preferential Offering. Please refer to FSL Trust's circular dated 4 April 2019 for further details on the foregoing.

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

Following the completion of the Preferential Offering, the amounts outstanding under the Bridging Loan were fully set off in accordance with the Set-Off Agreement. Accordingly, as at the Latest Practicable Date, there are no amounts outstanding under the Bridging Loan and the availability of the Bridging Loan was cancelled.

### 8. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed below, none of FSL Trust or its subsidiaries is engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, which might materially and adversely affect the financial position of FSL Trust or the Group, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claims or proceedings pending or threatened against FSL Trust or any of its subsidiaries or of any facts likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of FSL Trust and its subsidiaries taken as a whole.

(a) Claim against Torm Singapore Pte. Ltd.

FSL-25 Pte. Ltd. (“**FSL-25**”) and FSL-26 Pte. Ltd. (“**FSL-26**”), wholly-owned subsidiaries of FSL Trust and respective owners of the LR2 Product Tankers “Torm Margrethe” (now renamed “FSL Piraeus”) and “Torm Marie” (now renamed “FSL Perth”), had entered into seven (7) year bareboat charter agreements with Torm Singapore Pte. Ltd. (“**TORM**”) in June 2011.

In mid of 2018, TORM redelivered these two (2) vessels back to FSL-25 and FSL-26 in an untradeable condition and in breach of the redelivery provisions of the bareboat charters. In order to protect the interests of the Unitholders, FSL-25 and FSL-26 performed all necessary repairs and claimed against TORM for the costs and losses incurred.

In relation to the M/T “Torm Margrethe”, FSL-25 had filed a claim before the High Court in England, claiming a total amount of US\$1.89 million plus interest and legal costs. Security had been obtained for the claim in the form of a letter of guarantee in the amount of US\$2.53 million.

In relation to the M/T “Torm Marie”, FSL-26 is proceeding to file claims in the High Court in England.

Please refer to the announcement dated 14 January 2019 made by the Trustee-Manager for further details on the above.

As at the Latest Practicable Date, the decision of the High Court in England on the above proceedings is still pending.

### 9. FINANCIAL INFORMATION

#### 9.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statement of comprehensive income of the Group for FY2016, FY2017, FY2018, and the unaudited consolidated statement of comprehensive income of the Group for the three (3)-month period ended 31 March 2019 (“**3M2019**”) is set out below.

|                                    | Audited<br>FY2016<br>(US\$ '000) | Audited<br>FY2017<br>(US\$ '000) | Audited<br>FY2018<br>(US\$ '000) | Unaudited<br>3M2019 Results<br>(US\$ '000) |
|------------------------------------|----------------------------------|----------------------------------|----------------------------------|--|
| Revenue                            | 98,144                           | 81,499                           | 67,046                           | 19,090                                     |
| Exceptional Items                  | N/A                              | N/A                              | N/A                              | N/A  |
| Profit/(Loss) before tax           | (30,995)                         | (73,887)                         | (18,987)                         | 3,009                                      |
| Profit/(Loss) after tax            | (30,995)                         | (73,888)                         | (18,986)                         | 3,009                                      |
| Minority interest                  | N/A                              | N/A                              | N/A                              | N/A  |
| Basic earnings per Unit (cents)    | (4.86)                           | (11.59)                          | (2.98)                           | 0.47                                       |
| Diluted earnings per Unit (cents)  | (4.86)                           | (11.59)                          | (2.98)                           | 0.42                                       |
| Net distributions per Unit (cents) | N/A                              | N/A                              | N/A                              | N/A  |

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

This summary financial information should be read together with the audited consolidated financial statements of the Group for FY2016 to FY2018 and the consolidated financial statements of the Group for the relevant financial period and related notes thereto, copies of which are available for inspection at the registered office of the Trustee-Manager at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 during normal business hours for the period during which the Offer and the Convertible Bonds Offer remains open for acceptance.

The audited consolidated financial statements of the Group for FY2018 are set out in Appendix IV to this Circular.

### 9.2 Consolidated Balance Sheet

A summary of the audited consolidated balance sheet of the Group as at 31 December 2018 and the unaudited consolidated balance sheet of the Group as at 31 March 2019 is set out below.

|  | 31 Mar 2019 |           | 31 Dec 2018 |           |
|--|-------------|-----------|-------------|-----------|
|  | Group       | Trust     | Group       | Trust     |
|  | US\$'000    | US\$'000  | US\$'000    | US\$'000  |
| <b>Non-current assets</b>                              |             |           |             |           |
| Vessels  | 229,845     | –         | 225,538     | –         |
| Subsidiaries   | –           | 45,312    | –           | 45,312    |
|  | 229,845     | 45,312    | 225,538     | 45,312    |
| <b>Current assets</b>                                  |             |           |             |           |
| Inventories  | 227         | –         | –           | –         |
| Trade and other receivables                            | 12,550      | 75,294    | 12,760      | 76,586    |
| Cash and cash equivalents                              | 15,599      | 1,855     | 13,881      | 1,331     |
| Non-current asset classified as held-for-sale          | 10,989      | –         | 10,989      | –         |
|  | 39,365      | 77,149    | 37,630      | 77,917    |
| <b>Total assets</b>                                    | 269,210     | 122,461   | 263,168     | 123,229   |
| <b>Equity attributable to unitholders of FSL Trust</b> |             |           |             |           |
| Units in issue   | 523,284     | 523,284   | 523,284     | 523,284   |
| Reserves   | (365,013)   | (407,585) | (368,022)   | (407,040) |
| <b>Total equity</b>                                    | 158,271     | 115,699   | 155,262     | 116,244   |
| <b>Non-current liabilities</b>                         |             |           |             |           |
| Secured bank loans                                     | 66,911      | –         | 73,765      | –         |
| Convertible bonds                                      | 6,398       | 6,398     | 6,287       | 6,287     |
|  | 73,309      | 6,398     | 80,052      | 6,287     |
| <b>Current liabilities</b>                             |             |           |             |           |
| Trade and other payables                               | 2,943       | 364       | 2,897       | 698       |
| Lease income received in advance                       | –           | –         | 1,688       | –         |
| Secured bank loans                                     | 24,687      | –         | 23,269      | –         |
| Loan from Sponsor                                      | 10,000      | –         | –           | –         |
|  | 37,630      | 364       | 27,854      | 698       |
| <b>Total liabilities</b>                               | 110,939     | 6,762     | 107,906     | 6,985     |
| <b>Total equity and liabilities</b>                    | 269,210     | 122,461   | 263,168     | 123,229   |

---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

This summary financial information should be read together with the audited consolidated financial statements of the Group for the relevant years and the consolidated financial statements of the Group for the relevant financial periods and related notes thereto, copies of which are available for inspection at the registered office of the Trustee-Manager at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 during normal business hours for the period during which the Offer and the Convertible Bonds Offer remains open for acceptance.

A statement of the assets and liabilities of the Group as at 31 December 2018 is set out in the audited consolidated financial statements of the Group for FY2018 which are set out in Appendix IV to this Circular.

### 9.3 Significant Accounting Policies

A summary of the significant accounting policies of the Group is set out in the notes to the audited consolidated financial statements for FY2018, copies of which are available for inspection at the registered office of the Trustee-Manager at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 during normal business hours for the period during which the Offer and the Convertible Bonds Offer remains open for acceptance, and section 4 of the unaudited consolidated financial statements of the Group for 3M2019, which is set out in Appendix V to this Circular.

Save as disclosed in the notes to the audited consolidated financial statements of the Group for FY2018, and the unaudited consolidated financial statements of the Group for 3M2019:

- (a) there were no significant accounting policies or any matter from the notes of the financial statements of FSL Trust which are of any major relevance for the interpretation of the financial statements of FSL Trust; and
- (b) as at the Latest Practicable Date, there is no change in the accounting policy of the FSL Trust which will cause the figures disclosed in this Circular not to be comparable to a material extent.

### 9.4 Material Changes in Financial Position

Save as disclosed below and in publicly available information on the Group (including but not limited to the unaudited consolidated financial statements for 3M2019), as at the Latest Practicable Date, there has been no known material change in the financial position of FSL Trust since 31 December 2018, being the date of FSL Trust's last published audited financial statements.

FSL Trust has raised gross proceeds of approximately S\$43.03 million (and net proceeds of approximately S\$42.53 million) pursuant to the completion of the Preferential Offering. Please refer to FSL Trust's circular dated 4 April 2019 for further details on the Preferential Offering, and FSL Trust's announcement dated 4 June 2019 for further details on the results of the Preferential Offering.

### 9.5 Material Changes in Information

Save as disclosed in this Circular and save for the information relating to FSL Trust and the Offer and the Convertible Bonds Offer that is publicly available, there has been no material change in any information previously published by or on behalf of FSL Trust during the period commencing from the Offer Announcement Date and ending on the Latest Practicable Date.

---

## APPENDIX II – ADDITIONAL GENERAL INFORMATION

---

### 10. GENERAL

- 10.1** All expenses and costs incurred by FSL Trust in relation to the Offer and the Convertible Bonds Offer will be borne by FSL Trust.
- 10.2** The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) the IFA Letter containing its advice to the Independent Directors in respect of the Offer and the Convertible Bonds Offer as set out in Appendix I to this Circular and all references thereto, in the form and context in which they appear in this Circular.
- 10.3** Moore Stephens LLP, the Independent Auditors of FSL Trust, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of (i) its name and all references thereto; and (ii) the independent auditor's report in relation to the audited consolidated financial statements of the Group for FY2018 and all references thereto, in the form and context in which they appear in this Circular.

### 11. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Trustee-Manager at 9 Temasek Boulevard #19-03 Suntec Tower Two Singapore 038989 during normal business hours for the period during which the Offer remain open for acceptance:

- (a) the Trust Deed;
- (b) the annual reports of FSL Trust for FY2016, FY2017 and FY2018;
- (c) the unaudited consolidated financial statements for the Group for 3M2019 and its accompanying notes;
- (d) the IFA Letter as set out in Appendix I to this Circular; and
- (e) the letters of consent referred to in sections 10.2 and 10.3 of this Appendix II above.

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### 1. **Rights in respect of the Units**

The relevant provisions of the Trust Deed, which set out the Unitholders' rights in respect of the Units, are reproduced below:

#### **“3. PROVISIONS AS TO UNITS, HOLDERS AND STATEMENTS OF HOLDINGS**

##### **3.1 No Certificates**

*No certificate shall be issued to Holders by the Trustee-Manager in respect of Units (whether Listed or Unlisted) issued to Holders. For so long as the Trust is Listed, the Trustee-Manager shall, pursuant to the Depository Services Agreement, appoint the Depository as the Unit depository for the Trust, and all Units issued will be deposited with the Depository and represented by entries in the Register in the name of the Depository as the registered Holder thereof.*

*For so long as the Trust is Listed, the Trustee-Manager or the Registrar shall issue to the Depository not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, stating that the Units are issued under a moratorium and the expiry date of such moratorium. For the purposes of this Deed, such a confirmation note shall be deemed to be a certificate evidencing title to the Units issued.*

##### **3.2 Form of Statements of Holdings**

**3.2.1** *In the event the Trust is or becomes Unlisted, the Trustee-Manager or the Registrar shall issue to each Holder not more than one month after the allotment of Units to such Holder a confirmation note confirming such allotment. The Trustee-Manager or the Registrar shall for so long as the Trust is Unlisted issue to each Holder of Units on a quarterly basis (or such other period as may be determined by the Trustee-Manager) a statement of holdings (the “**Statement of Holdings**”). A Statement of Holdings shall be dated and shall specify the number of Units held by each Holder in respect of the preceding Quarter (or such other relevant period) and the transactions in respect of such Units and shall be in such form as may from time to time be determined by the Trustee-Manager.*

**3.2.2** *For so long as the Trust is Listed and Units are registered in the name of the Depository, the Depository shall within the relevant periods issue to each Depositor the relevant contract statements, confirmation notes and monthly statements in respect of transactions in or, as the case may be, holdings of Units in such Depositor's Securities Account.*

##### **3.3 Sub-division and Consolidation of Units**

*The Trustee-Manager may at any time and on prior written notice (such notice period shall be determined by the Trustee-Manager in its absolute discretion) to each Holder or (as the case may be) to each Depositor by the Trustee-Manager delivering such notice in writing to the Depository for onward delivery to the Depositors, determine that each Unit shall be sub-divided into two or more Units or consolidated with one or more other Units and the Holders shall be bound accordingly.*

*The Register shall be altered accordingly to reflect the new number of Units held by each Holder as a result of such sub-division or consolidation and the Trustee-Manager shall cause the Depository to alter the Depository Register accordingly in respect of each relevant Depositor's Securities Account to reflect the new number of Units held by such Depositor as a result of such sub-division or consolidation.*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### **3.4 Terms and Conditions of Trust Deed and Supplemental Deeds to Bind Holders**

*The terms and conditions of this Deed shall be binding on each Holder and all persons claiming through him as if he had been party thereto and as if this Deed contained covenants on the part of each Holder to observe and be bound by all the provisions hereof and an authorisation by each Holder to do all such acts and things as this Deed may require the Trustee-Manager to do.*

### **3.5 Rights attached to Units**

*The rights attached to the Units issued upon special conditions shall be clearly defined in this Deed. Without prejudice to any special right previously conferred on the Holders of any existing Units or Class of Units but subject to the Relevant Laws, Regulations and Guidelines and this Deed, any Units may be issued by the Trustee-Manager and any such Units may be issued with such preferred, deferred, or other special rights or such restrictions, whether in regard to Distributions, voting or otherwise as the Trustee-Manager may determine.*

### **3.6 Variation of Rights**

**3.6.1** *If at any time different Classes of Units are issued, the rights attached to any Class (unless otherwise provided by the terms of issue of the Units of that Class) may, subject to the provisions of the Relevant Laws, Regulations and Guidelines, whether or not the Trust is being wound up, be varied or abrogated with the sanction of an Extraordinary Resolution passed at a separate meeting of Holders in respect of Units of that Class and to every such Extraordinary Resolution the provisions of this Deed relating to meetings of Holders shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued Units of the Class and that any Holder in respect of Units of that Class present in person or by proxy or by attorney may demand a poll, provided always that where the necessary majority for such an Extraordinary Resolution is not obtained at the meeting, consent in writing if obtained from the Holders of three-fourths of the issued Units of the Class concerned, within two months of the meeting shall be as valid and effectual as an Extraordinary Resolution, carried at the meeting.*

**3.6.2** *The rights conferred upon the Holders of the Units of any Class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the Units of that Class or by this Deed as are in force at the time of such issue, be deemed to be varied by the creation or issue of further Units ranking equally therewith.*

### **3.7 Units to be Held Free from Equities**

*A Holder entered in the Register as the registered holder of Units or (as the case may be) a Depositor whose name is entered in the Depository Register in respect of Units registered to him, shall be the only person to be recognised by the Trustee-Manager as having any right, title or interest in or to the Units registered in his name and the Trustee-Manager may recognise such Holder as absolute owner thereof and shall not be bound by any notice to the contrary and shall also not be bound to take notice of or to see to the execution of any trust, express, implied or constructive, save as herein expressly provided or save as required by any court of competent jurisdiction to recognise any trust or equity or other interest affecting the title to any Units. Save as provided in this Deed, no notice of any trust, express, implied or constructive, shall be entered on the Register or the Depository Register.*



---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### 3.8 Restrictions

*The Holders shall not give any directions to the Trustee-Manager (whether at a meeting of Holders convened pursuant to Clause 24 or otherwise) if it would require the Trustee-Manager to do or omit doing anything which may result in:*

- 3.8.1 the Trust or the Trustee-Manager, in its capacity as trustee-manager of the Trust, ceasing to comply with the Relevant Laws, Regulations and Guidelines or any other applicable laws and regulations; or*
- 3.8.2 the exercise of any discretion expressly conferred on the Trustee-Manager by this Deed or the determination of any matter which under this Deed requires the agreement of the Trustee-Manager, provided that nothing in this Clause 3.8.2 shall limit the right of a Holder to require the due administration of the Trust in accordance with this Deed.*

### 4.7 Transfer of Units

*4.7.1 For so long as the Trust is Listed, transfers of Units between Depositors shall be effected electronically through the Depository making an appropriate entry in the Depository Register in respect of the Units that have been transferred in accordance with the Depository Requirements and the provisions of Clauses 4.7.2 to 4.7.6 shall not apply. The Trustee-Manager shall be entitled to appoint the Depository to facilitate transactions of Units within the Depository and maintain records of Units of Holders credited into Securities Accounts. Any transfer or dealing in Units on the SGX-ST between a Depositor and another person shall be transacted at a price agreed between the parties and settled in accordance with the Depository Requirements. The broker or other financial intermediary effecting any transfer or dealing in Units on the SGX-ST shall be deemed to be the agent duly authorised by any such Depositor or person on whose behalf the broker or intermediary is acting. In any case of transfer, all charges in relation to such transfer as may be imposed by the Trustee-Manager and/or the Depository shall be borne by the Holder who is the transferor. There are no restrictions as to the number of Units (whether Listed or Unlisted) which may be transferred by a transferor to a transferee. For so long as the Trust is Listed, in the case of a transfer of Units credited from a Securities Account into another Securities Account, the instrument of transfer shall be in such form as provided by the Depository (if applicable) and the transferor shall be deemed to remain the Depositor of the Units transferred until the relevant Units have been credited into the Securities Account of the transferee or transferred out of a Securities Account and registered on the Depository Register.*

*4.7.2 For so long as the Trust is Unlisted, every Holder shall be entitled to transfer any of the Units held by him or, in the case of Joint Holders, by any one of the Joint Holders as follows:*

- (i) a transfer of Units shall be effected by an instrument of transfer in writing in common form (or in such other form as the Trustee-Manager may from time to time approve);*
- (ii) every instrument of transfer relating to Units must be signed by the transferor and the transferee and, subject to the provisions of Clause 4.7, the transferor shall be deemed to remain the Holder of the Units transferred until the name of the transferee is entered in the Register in respect thereof. The instrument of transfer need not be a deed;*
- (iii) all charges in relation to such transfer as may be imposed by the Trustee-Manager shall be borne by the Holder who is the transferor; and*
- (iv) there are no restrictions as to the number of Units which may be transferred.*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

- 4.7.3** *Every instrument of transfer referred to in Clause 4.7.2 must be duly stamped (if required by law) and left with the Trustee-Manager for registration accompanied by any necessary declarations or other documents that may be required in consequence of any applicable laws and regulations and by such evidence as the Trustee-Manager may require to prove the title of the transferor or his right to transfer the Units.*
- 4.7.4** *For so long as the Trust is Unlisted, the Trustee-Manager shall alter or cause to be altered the Register to record the date of each transfer effected in respect of Units and the name and address of the transferee.*
- 4.7.5** *For so long as the Trust is Unlisted, all instruments of transfer which are registered in respect of Units shall be retained by the Trustee-Manager.*
- 4.7.6** *A fee not exceeding S\$2.00 (or such other amount as the Trustee-Manager may from time to time agree), which excludes any stamp duty or other governmental taxes or charges payable, may be charged by the Trustee-Manager for its own account for the registration of any transfer by an instrument of transfer of Units. Such fee must, if required by the Trustee-Manager, be paid before the registration of any transfer.*
- 4.7.7** *No transfer or purported transfer of a Unit other than a transfer made in accordance with this Clause 4 shall entitle the transferee to be registered in respect thereof and neither shall any notice of such transfer or purported transfer (other than as aforesaid) be entered upon the Register or the Depository Register.*

### **5. CONSTITUTION OF THE TRUST**

#### **5.1 Trust Property**

*The Trust Property shall be initially constituted out of the proceeds of the issue of Units.*

#### **5.2 Declaration of Trust**

**5.2.1** *The Trustee-Manager shall hold the Trust Property for the time being upon the trust for the benefit of the Holders *pari passu*, each of whom has an undivided interest in the Trust Property as a whole subject to the Liabilities of the Trust and subject to the provisions of this Deed. Any moneys forming part of the Trust Property shall from time to time be invested at the direction of the Trustee-Manager in accordance with the provisions of this Deed and so that no Unit shall confer on any Holder or any person claiming under or through him any interest or share in any particular part of the Trust Property. Subject to this Deed:*

- (i) a Holder is not entitled to the transfer to it of the Trust Property or any part of the Trust Property or of any estate or interest in the Trust Property or in any part of the Trust Property; and*
- (ii) the right of a Holder in the Trust Property and under this Deed is limited to the right to require the due administration of the Trust in accordance with this Deed including, without limitation, by suit against the Trustee-Manager.*

**5.2.2** *Without limiting the generality of the foregoing, each Holder acknowledges and agrees that:*

- (i) he will not commence or pursue any action against the Trustee-Manager seeking an order for specific performance or for injunctive relief in respect of the Trust Property or any part of the Trust Property and hereby waives any rights he may otherwise have to such relief;*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

- (ii) *if the Trustee-Manager breaches or threatens to breach its duties or obligations to a Holder under this Deed, that Holder's recourse against the Trustee-Manager is limited to a right to recover damages or compensation from the Trustee-Manager in a court of competent jurisdiction; and*
- (iii) *damages or compensation is an adequate remedy for such breach or threatened breach.*

### **5.2.3** *A Holder may not:*

- (i) *interfere or seek to interfere with the rights, powers, authority or discretion of the Trustee-Manager;*
- (ii) *exercise any right in respect of the Trust Property or any part of the Trust Property or lodge any caveat or other notice affecting the Trust Property or any part of the Trust Property; and*
- (iii) *require that any part of the Trust Property (including any Authorised Business undertaken by the Trust or any Investment, or any part thereof) be transferred to a Holder.*

## **6. ISSUE OF UNITS**

### **6.1 Issue of Units**

**6.1.1** *Notwithstanding anything to the contrary in this Deed, no Units may be issued or no offer, agreement or option which would or might require Units to be issued may be made or granted without prior approval of the Holders in general meeting by passing an Ordinary Resolution in accordance with the Business Trusts Act but subject thereto and to other requirements of the Relevant Laws, Requirements and Guidelines, the Trustee-Manager may issue new Units or grant an offer, agreement or option which would or might require Units to be issued or otherwise dispose of the same to such persons and on such terms and conditions as the Trustee-Manager may deem fit, provided that the Trustee-Manager shall not be bound to accept an application in respect of an initial issue of Units so as to give rise to a holding of fewer than 1,000 Units (or such other number of Units as may be determined by the Trustee-Manager). No fractions of a Unit shall be issued (whether on an initial issue of Units or a rights issue, an issue of new Units otherwise than by a rights issue or any issue pursuant to a reinvestment of Distribution arrangement) and in issuing such number of Units as correspond to the relevant subscription proceeds, the Trustee-Manager shall in respect of each Holder's entitlement to Units truncate but not round off to the nearest whole Unit and any balance arising from such truncation shall be retained as part of the Trust Property. Issues of Units shall only be made on a Business Day unless and to the extent that the Trustee-Manager otherwise prescribes.*

**6.1.2** *The Trustee-Manager may by deed supplemental hereto issue Classes of Units under such terms and conditions as may be contained therein.*

**6.1.3** *The Trust may be listed on the SGX-ST pursuant to Clause 7 and if so listed shall be traded on the SGX-ST and settled through the Depository. Units already in issue may be transferred or otherwise dealt with through Securities Accounts into which Units are credited in accordance with Clause 4.7.*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### **6.2 Units Issued to Persons Resident Outside Singapore**

*If a Unit is to be issued to a person resident outside Singapore, the Trustee-Manager shall be entitled to charge for its own account an additional amount to the Issue Price thereof which is equal to the excess of the expenses actually incurred by the Trustee-Manager over the amount of expenses which would have been incurred if such person had been resident in Singapore. In relation to any rights issue, the Trustee-Manager may in its absolute discretion elect not to extend an offer of Units under the rights issue to those Holders whose addresses are outside Singapore. In such event, the rights or entitlements to the Units of such Holders will be offered for sale by the Trustee-Manager as the nominee and authorised agent of each such relevant Holder in such manner and at such price, as the Trustee-Manager may determine. Where necessary, the Trustee-Manager shall have the discretion to impose such other terms and conditions in connection with the sale. The proceeds of any such sale, if successful, will be paid to the relevant Holders whose rights and entitlements have been thus sold, provided that where such proceeds payable to the relevant Holders are less than US\$10.00, the Trustee-Manager shall be entitled to retain such proceeds as part of the Trust Property.*

### **6.3 Non-payment of Issue Price**

*Where payment of the Issue Price payable in respect of any Unit agreed to be issued by the Trustee-Manager has not been received before the seventh Business Day after the date on which the Unit was agreed to be issued (or such other date as the Trustee-Manager may agree) the agreement to issue such Unit may, in the absolute discretion of the Trustee-Manager, at that time or any time thereafter be cancelled by the Trustee-Manager by giving notice to that effect to the applicant and such Unit shall thereupon be deemed never to have been issued or agreed to be issued and the applicant therefor shall have no right or claim in respect thereof against the Trustee-Manager, provided that:*

**6.3.1** *no previous valuations of the Trust shall be re-opened or invalidated as a result of the cancellation of such Units; and*

**6.3.2** *the Trustee-Manager shall be entitled to charge the applicant (and retain for its own account) a cancellation fee of such amount as it may from time to time determine to represent the administrative costs involved in processing the application for such Units from such applicant.*

### **6.4 Updating of Securities Account**

*For so long as the Trust is Listed, the Trustee-Manager shall cause the Depository to effect the book entry of Units issued to a Depositor into such Depositor's Securities Account no later than the tenth Business Day after the date on which those Units are agreed to be issued by the Trustee-Manager.*

### **6.5 Suspension of Issue**

*The Trustee-Manager may, subject to the Listing Rules, suspend the issue of Units during any of the following events:*

**6.5.1** *any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (otherwise than for public holidays) or during which dealings are restricted or suspended;*

**6.5.2** *the existence of any state of affairs which, in the opinion of the Trustee-Manager, might seriously prejudice the interests of the Holders as a whole or of the Trust Property;*

**6.5.3** *when, for any reason, the prices of Investments cannot be promptly and accurately ascertained;*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

- 6.5.4** any period when remittance of money which will or may be involved in the realisation of Investments or in the payment for Investments cannot, in the opinion of the Trustee-Manager, be carried out at normal rates of exchange;
- 6.5.5** in relation to any general meeting of the Holders, the period 48 hours before such general meeting or any adjournment thereof;
- 6.5.6** any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS; or
- 6.5.7** when the business operations of the Trustee-Manager in relation to the operation of the Trust are substantially interrupted or closed as a result of, or arising from, pestilence, widespread communicable and infectious diseases, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Trustee-Manager and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension shall have ceased to exist and no other conditions under which suspension is authorised under this Clause 6.5 exists upon the declaration in writing thereof by the Trustee-Manager. In the event of any suspension while the Trust is Listed, the Trustee-Manager shall ensure that immediate announcement of such suspension is made through the SGX-ST.”

### 2. **Rights in respect of distributions**

The relevant provisions of the Trust Deed, which set out the Unitholders’ rights in respect of distributions, are reproduced below:

#### **“9. DISTRIBUTIONS**

##### **9.1 Cash Distribution**

Subject to the Relevant Laws, Regulations and Guidelines, the Trustee-Manager may, in respect of a Distribution Period, declare a Distribution in cash to the Holders of such amounts to be payable out of the Trust Property on such Distribution Dates as it may think fit.

##### **9.2 Determination of Income and Reserves**

The Trustee-Manager (acting after consulting the Auditors) may from time to time determine whether any item is income in nature or capital in nature and the extent to which reserves or provisions need to be made.

##### **9.3 Entitlement to Distribution**

**9.3.1** Upon the declaration by the Trustee-Manager of a Distribution, each Holder shall, after the Distribution Date, be entitled to receive a pro-rata share of the Distribution (“**Distribution Entitlement**”) for the Distribution Period immediately prior to the Distribution Date determined based on the number of fully paid up Units held by that Holder.

**9.3.2** The persons who are Holders on the Record Date for a Distribution Period are entitled to their Distribution Entitlements for that Distribution Period.

**9.3.3** The Trustee-Manager must deduct from each Holder’s Distribution Entitlement all amounts which:

- (i) are necessary to avoid distributing a fraction of a cent;
- (ii) the Trustee-Manager determines not to be practical to distribute on a Distribution Date;

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

- (iii) *equal any amount of Tax which has been paid or which the Trustee-Manager determines is or may be payable by it in respect of the portion of the income of the Trust attributable to such Holder, or the amount of the Distribution otherwise distributable to such Holder;*
- (iv) *are required to be deducted by law or this Deed; or*
- (v) *are payable by the Holder to the Trustee-Manager.*

**9.3.4** *No Distribution or other moneys payable on or in respect of a Unit shall bear interest as against the Trust. Any moneys payable to the Holders which remain unclaimed after a period of 12 months shall be accumulated in the Unclaimed Moneys Account and dealt with in the manner provided in Clause 10.3.*

### **9.4 Holder Notification**

*Each Holder must, as and when required by the Trustee-Manager, provide such information as to his place of residence for taxation purposes as the Trustee-Manager may from time to time determine.*

### **9.5 Composition of Distribution**

*Following the end of each Financial Year, the Trustee-Manager must notify each Holder of:*

**9.5.1** *the extent to which a Distribution under this Clause 9 is composed of income or capital; and*

**9.5.2** *any amounts deducted under Clauses 9.3.3(iii) and 9.3.3(iv).*

### **9.6 Categories and Sources of Income**

**9.6.1** *For any category or source of income the Trustee-Manager may keep separate accounts and allocate the income from any category or source to any Holder.*

**9.6.2** *The Trustee-Manager may cause the distribution of any amount recorded in an account or record kept pursuant to Clause 9.6.1 before the distribution of any other amount.*

### **9.7 Distribution Reinvestment Arrangements**

*The Trustee-Manager may advise Holders, from time to time, in writing that Holders may on terms specified in the notice participate in an arrangement under which Holders may request that all or a proportion of specified Distributions due to them be applied to the issue of further Units on such terms and Issue Price as the Trustee-Manager may determine, subject to Clause 6.1. The Units so issued shall be deemed to be purchased by such Holders. The Trustee-Manager shall be entitled to amend the terms of any such Distribution reinvestment arrangements from time to time by notice in writing to Holders.*

### **9.8 Non-Cash Distributions**

**9.8.1** *Without prejudice to any distribution policy articulated by the Trustee-Manager from time to time, and subject always to the Relevant Laws, Regulations and Guidelines, the Trustee-Manager may, in respect of a Distribution Period, declare a Distribution other than in cash to the Holders to be payable out of the Trust Property on such Distribution Dates as it may think fit. To the extent that the other sub-Clauses in this Clause 9 apply to a Distribution other than in cash, they shall apply mutatis mutandis.*

**9.8.2** *For the avoidance of doubt, nothing in this Clause 9.9 shall prejudice the power of the Trustee-Manager to declare a Distribution in cash to the Holders as provided for in Clause 9.1.*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### 10. PLACE AND CONDITIONS OF PAYMENT

#### 10.1 Place and Conditions of Payment

*Any moneys payable by the Trustee-Manager to any Holder on the relevant Record Date under the provisions of this Deed shall be paid, in the case of Holders who do not hold their Units jointly with any other person, by cheque or warrant sent through the post to the registered address of such Holder or, in the case of Joint Holders, to the registered address of the Joint Holder who is first named on the Register or to the registered address of any other of the Joint Holders as may be authorised by all of them. Every such cheque or warrant shall be made payable to the order of the person to whom it is delivered or sent and payment of the cheque or warrant by the banker upon whom it is drawn shall be a satisfaction of the moneys payable and shall be a good discharge to the Trustee-Manager. Where the Trustee-Manager receives the necessary authority in such form as the Trustee-Manager shall consider sufficient, it shall pay the amount due to any Holder to his bankers or other agent and the receipt of such an amount by such bankers or other agent shall be a good discharge therefor.*

*Any moneys payable by the Trustee-Manager to any Depositor appearing in the Depository Register on the relevant Record Date under the provisions of this Deed shall be paid, in the case of such Depositor's Units credited into a Securities Account, by transferring such moneys into the Depository's bank account (as notified to the Trustee-Manager) and the Trustee-Manager causing the Depository to make payment thereof to such Depositor by cheque sent through the post to the address of such Depositor on record with the Depository or, in the case of Joint Depositors, to the mailing address of the Joint Depositors on record with the Depository or by any other form as may be agreed between the Trustee-Manager and the Depository. Payment of the moneys by the Trustee-Manager to the Depository shall be a satisfaction of the moneys payable to the relevant Depositor and shall be a good discharge to the Trustee-Manager. Any charges payable to the Depository for the distribution of moneys to Depositors under this Deed may be paid out of the Trust Property.*

*No amount payable to any Holder shall bear interest.*

#### 10.2 Receipt of Holders

*The receipt of the Holder or (as the case may be) the Depository on behalf of the Depositors for any amounts payable in respect of Units shall be a good discharge to the Trustee-Manager, and if several persons are registered as Joint Holders or, in consequence of the death of a Holder, are entitled to be so registered, any one of them may give effectual receipts for any such amounts.*

#### 10.3 Unclaimed Moneys

*Any moneys payable to a Holder under this Deed which remain unclaimed after a period of 12 months shall be accumulated in a special account (the "**Unclaimed Moneys Account**") from which the Trustee-Manager may, from time to time, make payments to a Holder claiming any such moneys.*

*Subject to Clause 21, the Trustee-Manager may, at its absolute discretion and if practicable, cause such sums which represent moneys remaining in the Unclaimed Moneys Account for five years after the date for payment of such moneys into the Unclaimed Moneys Account and interest, if any, earned thereon to be paid into the courts of Singapore after deducting from such sums all fees, costs and expenses incurred in relation to such payment into the courts of Singapore provided that if the said moneys are insufficient to meet the payment of all such fees, costs and expenses, the Trustee-Manager shall be entitled to have recourse to the Trust Property for such payment."*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### 3. **Rights in respect of voting**

The relevant provisions in the schedule to the Trust Deed, which set out the Unitholders' rights in respect of voting, are reproduced below:

#### **“1. General Meetings**

##### **1.1 Annual general meetings**

*An Annual General Meeting shall be held once in every year, at such time (within a period of not more than 15 months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Trustee-Manager. All other general meetings shall be called Extraordinary General Meetings.*

##### **1.2 Extraordinary general meetings**

*The Trustee-Manager may whenever it thinks fit, and shall on requisition in accordance with the Relevant Laws, Regulations and Guidelines, proceed with proper expedition to convene an Extraordinary General Meeting.*

#### **2. Requisition and calling of general meetings**

*Requisition of general meetings and calling of general meetings shall be in accordance with the Business Trusts Act and any other applicable laws, regulations and guidelines.*

#### **3. Notice of General Meeting**

**3.1** *Subject to the Business Trusts Act and for so long as the Units are Listed, the Listing Rules as well, notice of every general meeting shall be given to the Holders in manner provided in this Deed. The period of notice shall not be inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given. Where there is an inconsistency between the Business Trusts Act and the Listing Rules on the period of notice required, the period of notice required for the purposes of this Deed shall be the longer of the periods of notice prescribed by the Business Trusts Act and the Listing Rules.*

**3.2** *The notice shall specify the place, day and hour of meeting and the terms of the resolutions to be proposed. The accidental omission to give notice to or the non-receipt of notice by any of the Holders shall not invalidate the proceedings at any meeting.*

**3.3** *Notwithstanding the preceding sub-Paragraphs of this Paragraph 3 but subject to the Relevant Laws, Regulations and Guidelines, any notice or other document required to be served upon or sent to all the Holders for the time being shall be deemed to have been duly served or sent if published in any one leading English-language daily newspaper in Singapore and/or any one leading Chinese-language daily newspaper in Singapore. Any notice or document so served or sent shall be deemed to have been so served or sent on the date of such publication and, if the publication in the two newspapers does not appear on the same day, on the date of the later publication.*

#### **4. Proceedings at meetings**

##### **4.1 Chairman of meetings**

*The chairman or deputy chairman of the board of directors of the Trustee-Manager or if the chairman or deputy chairman is not present or there is no chairman or deputy chairman present, a person nominated in writing by the Trustee-Manager shall preside as chairman (“Chairman”) at a general meeting. If the chairman or deputy chairman is not present within fifteen minutes after the time appointed for holding the general meeting, or in the case where there is no chairman or deputy chairman present and there is no person nominated in writing by the Trustee-Manager or such nominated person is not present, the Holders present shall choose one of their number to be Chairman.*



---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### 4.2 Quorum

No business other than the appointment of a Chairman shall be transacted at any general meeting unless the quorum is present at the commencement of business. The quorum shall be not less than two Holders present in person or by proxy of one-tenth in value of all the Units for the time being in issue. Provided that (i) a proxy representing more than one Holder shall only count as one Holder for the purpose of determining the quorum; and (ii) where a Holder is represented by more than one proxy such proxies shall count as only one Holder for the purpose of determining the quorum.

### 4.3 Adjournment of meetings

**4.3.1** If within half an hour from the time appointed for a meeting (or such longer interval as the Chairman may think fit to allow) a quorum is not present, the general meeting, if convened on the requisition of Holders, shall be dissolved. In any other case it shall stand adjourned to such day and time being not less than 15 days thereafter and to such place as shall be determined for the purpose by the Chairman.

**4.3.2** Notice of the adjourned meeting shall be given in the same manner as for an original meeting. Such notice shall state that the Holders present at the adjourned meeting whatever their number and the value of the Units held by them will form a quorum thereat. At any such adjourned meeting the Holders present in person or by proxy thereat shall be a quorum.

**4.3.3** The Chairman may with the consent of any meeting at which a quorum is present and shall if so directed by the meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place.

### 4.4 Voting

**4.4.1** At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded (i) by the Chairman; (ii) by five or more Holders having the right to vote at the meeting; or (iii) by Holder(s) representing not less than 10% of the total voting rights of all the Holders having the right to vote at the meeting.

**4.4.2** Unless a poll is so demanded a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

**4.4.3** If a poll is duly demanded it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded. The Chairman may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

**4.4.4** A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the Chairman directs. A demand for a poll may be withdrawn at any time.

**4.4.5** The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### 4.5 *Votes of Holders*

- 4.5.1** *Subject to the Business Trusts Act, each Unit shall confer the right to poll at any meeting to one vote, and one vote only.*
- 4.5.2** *On a show of hands every Holder who (being an individual) is present in person or by proxy or (being a corporation) is present by one of its officers as its proxy shall have one vote.*
- 4.5.3** *On a poll every Holder who is present in person or by proxy shall have one vote for every Unit of which he is the Holder. On a poll votes may be given either personally or by proxy. A person entitled to more than one vote need not use all his votes or cast them the same way.*
- 4.5.4** *In the case of Joint Holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the vote of the other Joint Holders and for this purpose seniority shall be determined by the order in which the names stand in the Register, the first being the senior.*
- 4.5.5** *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Holder on the ground (however formulated) of mental disorder, the Trustee-Manager may in its absolute discretion, upon or subject to production of such evidence of the appointment as the Trustee-Manager may require, permit such receiver or other person on behalf of such Holder to vote in person or by proxy at any meeting or to exercise any other right conferred by Holding of Units in relation to meetings.*
- 4.5.6** *No Holder shall, unless the Trustee-Manager otherwise determines, be entitled in respect of Units held by him to vote at a meeting either personally or by proxy or to exercise any other right conferred by Holding of Units in relation to meetings if any call or other sum presently payable by him to the Trust in respect of such Units remains unpaid.*
- 4.5.7** *For the purposes of determining the number of Units held in respect of Units registered in the name of the Depository and the number of votes which a particular Holder may cast in respect of such Units, the Trustee-Manager shall be entitled and bound to accept as accurate the number of Units credited into the Securities Account(s) of the relevant depositor as shown in the records of the Depository as at a time not earlier than 48 hours prior to the time of the relevant meeting, supplied by the Depository to the Trustee-Manager, and to accept as the maximum number of votes which in aggregate that depositor and his proxy(ies) (if any) are able to cast on a poll a number which is the number of Units credited into the Securities Account(s) of the relevant depositor, as shown in the aforementioned records of the Depository, whether that number is greater or smaller than that specified by the depositor or in the instrument of proxy. The Trustee-Manager shall not under any circumstances be responsible for, or liable to any person as a result of it, acting upon or relying on the aforementioned records of the Depository.*

### 5. *Proxies*

- 5.1** *An instrument of proxy may be in the usual common form or in any other form which the Trustee-Manager shall approve.*
- 5.2** *The instrument appointing a proxy shall be in writing, under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under the common seal or under the hand of an officer or attorney so authorised.*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

- 5.3** *The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority shall be deposited at such place as the Trustee-Manager may in the notice convening the meeting direct or if no such place is appointed then at the registered office of the Trustee-Manager not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. 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. A person appointed to act as a proxy need not be a Holder.*
- 5.4** *The instrument appointing a proxy to vote at a meeting of the Holders shall be deemed to confer authority to demand or join in demanding a poll. A demand by a person as proxy for a Holder shall, for the purpose of Paragraph 4.4, be deemed to be the same as a demand by the Holder.*
- 5.5** *A Holder may appoint not more than two proxies to attend and vote at the same meeting, provided that if the Holder is a Depositor, the Trustee-Manager shall be entitled and bound:*
- 5.5.1** *to reject any instrument of proxy lodged if the Depositor is not shown to have any Units entered against his name in the Depository Register as at 48 hours before the time of the relevant meeting as certified by the Depository to the Trust; and*
- 5.5.2** *to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of Units entered against the name of that Depositor in the Depository Register as at 48 hours before the time of the relevant meeting as certified by the Depository to the Trust, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*
- 5.6** *In any case where a form of proxy appoints more than one proxy, the proportion of the holding of Units concerned to be represented by each proxy shall be specified in the form of proxy.*
- 5.7** *A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the Units in respect of which the proxy is given provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received at the place appointed for the deposit of proxies or if no such place is appointed at the registered office of the Trustee-Manager before the commencement of the meeting or adjourned meeting at which the proxy is used.*
- 6. Minutes of proceedings**
- 6.1** *The Trustee-Manager shall exercise Due Care to ensure that it will comply with all provisions of Relevant Laws, Regulations and Guidelines in relation to records of proceedings of meetings.*
- 6.2** *Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Trustee-Manager and any such minute as aforesaid if purporting to be signed by the Chairman of the meeting shall be evidence of the matters therein stated and until the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed thereat to have been duly passed.*

---

## APPENDIX III – EXTRACTS OF TRUST DEED

---

### **7. Resolutions**

- 7.1** *A resolution in writing signed by or on behalf of all the Holders for the time being entitled to receive notice of any meeting of Holders shall be as valid and effectual as an Extraordinary Resolution passed at a meeting of those Holders duly called and constituted. Such resolution may be contained in one document or in several documents in the like form each signed by or on behalf of one or more of the Holders concerned.*
- 7.2** *An Extraordinary Resolution or an Ordinary Resolution, as the case may be, shall be binding on all Holders whether or not present at the relevant meeting and each of the Holders and the Trustee-Manager shall, subject to the provision relating to indemnity in this Deed, be bound to give effect thereto accordingly.*

### **8. Corporate representatives**

- 8.1** *A corporation, being a Holder, 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 Holders and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, 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.”*

---

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

---

**INDEPENDENT AUDITOR’S REPORT TO THE  
UNITHOLDERS OF FIRST SHIP LEASE TRUST**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of First Ship Lease Trust (the “Trust”) (constituted in the Republic of Singapore pursuant to a Deed of Trust dated 19 March 2007) and its subsidiaries (the “Group”) which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Trust as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in unitholders’ funds and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Trust are properly drawn up in accordance with the provisions of the Singapore Business Trusts Act, Chapter 31A (the Act) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2018 and of the consolidated financial performance, consolidated changes in unitholders’ funds and consolidated statement of cash flows of the Group for the financial year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

# INDEPENDENT AUDITOR’S REPORT TO THE UNITHOLDERS OF FIRST SHIP LEASE TRUST

(CONT’D)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matter

#### How our audit addressed the key audit matter

##### Estimated useful life and residual value of vessels

We refer to Note 2.4, Note 3.1 and Note 3.2 to the financial statements.

The carrying value of the Group’s vessels amounted to US\$225,538,000 as at 31 December 2018.

The Group estimates the useful life of the vessels based on the period over which the vessel is expected to be available for use. The estimated economic useful life of the vessels and residual value of the vessels are reviewed annually and are revised if expectations differ from previous estimates. The residual values of the vessels are estimated based on the average scrap steel price per light weight tonne in recent years.

The estimation of the useful life and residual value of vessels requires the use of estimations and assumptions which require judgements. Changes to the estimates and assumptions will result in changes to the carrying values of the vessels recognised at the reporting period end.

##### Impairment assessment of vessels

We refer to Note 2.4, Note 2.10, Note 3.3 and Note 4 to the financial statements.

The carrying value of the Group’s vessels amounted to US\$225,538,000 as at 31 December 2018.

Following the less than favourable outlook of the industry, the Group carried out a detailed impairment review of the vessels. The Group determined the recoverable amount for each vessel based on the higher of the fair value of the vessel less the estimated costs of disposal and the carrying value of the vessels based on the “value-in-use” (the “VIU”) methodology. As a result of the assessment, the Group recognised a total impairment of US\$20,648,000 for eight vessels during the financial year ended 31 December 2018. For the remaining vessels, management concluded that the recoverable amount was higher than their carrying values and no further impairment provision was required.

These conclusions are dependent upon management estimates, judgements and assumptions in respect of: estimated resale values provided by third party sources, estimated utilisation, disposal values, residual values, current and historical charter hire rates, operating costs, recent performance, condition of the vessels and pre-tax discount rates.

##### Our response

We reviewed and compared the estimated useful life and residual value of the vessels to actual past performance and industry benchmarks and challenged the key estimates and assumptions used by management.

We recomputed the scrap steel price per light weight tonne in recent years based on reputable industry sources and compared this to the residual values used by the Group; and reviewed the reasonableness of the economic useful life of the vessels used by the Group against the current age of similar vessels in the industry.

##### Our findings

We found the estimates and assumptions used to determine the useful life and residual value of vessels to be reasonable based on available evidence.

##### Our response

We assessed the methodologies used by management to estimate the value-in-use calculations of the vessels. We checked the accuracy and relevance of the input data used by management to estimate the value-in-use calculations compared to information obtained from reputable industry sources. We performed a sensitivity analysis and headroom analysis on the key assumptions, where necessary.

##### Our findings

We found the significant estimates, judgements and assumptions made by management to determine the recoverable amounts of the vessels to be reasonable based on available evidence.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FIRST SHIP LEASE TRUST

(CONT'D)

### Other Information

The management of the Trustee-Manager is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Directors of the Trustee-Manager for the Financial Statements

The management of the Trustee-Manager is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the management of the Trustee-Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of the Trustee-Manager include overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Trustee-Manager.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

# INDEPENDENT AUDITOR’S REPORT TO THE UNITHOLDERS OF FIRST SHIP LEASE TRUST

(CONT'D)

### Auditor’s Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of the use of the going concern basis of accounting by the management of the Trustee-Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of the Trust and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor’s report is Neo Keng Jin.

**Moore Stephens LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
18 March 2019



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**STATEMENTS OF  
FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

|  | Note | Group            |                  | Trust            |                  |
|--|------|------------------|------------------|------------------|------------------|
|  |      | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Assets</b>  |      |                  |                  |                  |                  |
| Vessels  | 4    | 225,538          | 289,077          | –                | –                |
| Subsidiaries   | 5    | –                | –                | 45,312           | 215,863          |
| <b>Non-current assets</b>                              |      | <u>225,538</u>   | <u>289,077</u>   | <u>45,312</u>    | <u>215,863</u>   |
| Trade and other receivables                            | 6    | 12,760           | 10,504           | 76,586           | 38,991           |
| Cash and cash equivalents                              | 7    | 13,881           | 13,201           | 1,331            | 5,507            |
| Non-current assets classified as held-for-sale         | 4, 8 | 10,989           | 18,260           | –                | –                |
| <b>Current assets</b>                                  |      | <u>37,630</u>    | <u>41,965</u>    | <u>77,917</u>    | <u>44,498</u>    |
| <b>Total assets</b>                                    |      | <u>263,168</u>   | <u>331,042</u>   | <u>123,229</u>   | <u>260,361</u>   |
| <b>Equity attributable to unitholders of the Trust</b> |      |                  |                  |                  |                  |
| Units in issue   | 9    | 523,284          | 523,284          | 523,284          | 523,284          |
| Reserves   | 10   | (368,022)        | (349,596)        | (407,040)        | (415,653)        |
| <b>Total equity</b>                                    |      | <u>155,262</u>   | <u>173,688</u>   | <u>116,244</u>   | <u>107,631</u>   |
| <b>Liabilities</b>                                     |      |                  |                  |                  |                  |
| Bank loans   | 11   | 73,765           | –                | –                | –                |
| Convertible bonds                                      | 12   | 6,287            | –                | 6,287            | –                |
| <b>Non-current liabilities</b>                         |      | <u>80,052</u>    | <u>–</u>         | <u>6,287</u>     | <u>–</u>         |
| Trade and other payables                               | 14   | 4,585            | 5,370            | 698              | 1,424            |
| Bank loans   | 11   | 23,269           | 151,306          | –                | 151,306          |
| Deferred income  | 13   | –                | 678              | –                | –                |
| <b>Current liabilities</b>                             |      | <u>27,854</u>    | <u>157,354</u>   | <u>698</u>       | <u>152,730</u>   |
| <b>Total liabilities</b>                               |      | <u>107,906</u>   | <u>157,354</u>   | <u>6,985</u>     | <u>152,730</u>   |
| <b>Total equity and liabilities</b>                    |      | <u>263,168</u>   | <u>331,042</u>   | <u>123,229</u>   | <u>260,361</u>   |

The accompanying notes form an integral part of these financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**CONSOLIDATED INCOME  
STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|  | Note | 2018<br>US\$'000 | 2017<br>US\$'000 |
|--|------|------------------|------------------|
| Revenue                                  | 15   | 67,046           | 81,499           |
| Expenses:                                |      |                  |                  |
| Depreciation expense on vessels          |      | (31,731)         | (37,106)         |
| Impairment on vessels                    | 4    | (20,648)         | (81,129)         |
| Voyage expenses                          |      | (2,281)          | (1,701)          |
| Vessel operating expenses                |      | (19,456)         | (23,054)         |
| Management fees                          | 22   | (1,842)          | (2,241)          |
| Trustee fees                             | 22   | (61)             | (86)             |
| Other trust expenses                     |      | (2,402)          | (2,188)          |
| Total operating expenses                 |      | <u>(78,421)</u>  | <u>(147,505)</u> |
| <b>Results from operating activities</b> |      | (11,375)         | (66,006)         |
| Other income                             |      | –                | 400              |
| Gain on disposal of vessels              | 4    | 886              | 771              |
| Finance income                           | 16   | –                | 54               |
| Finance costs                            | 16   | (8,498)          | (9,106)          |
| <b>Net finance costs</b>                 |      | <u>(8,498)</u>   | <u>(9,052)</u>   |
| <b>Loss before tax</b>                   | 17   | (18,987)         | (73,887)         |
| Income tax expense                       | 18   | 1                | (1)              |
| <b>Loss for the year</b>                 |      | <u>(18,986)</u>  | <u>(73,888)</u>  |
| <b>Income available for distribution</b> | 19   | –                | –                |
| <b>Distribution per unit (US cents)</b>  |      | –                | –                |
| <b>(Loss) per unit (US cents)</b>        |      |                  |                  |
| Basic                                    | 20   | <u>(2.98)</u>    | <u>(11.59)</u>   |
| Diluted                                  | 20   | <u>(2.98)</u>    | <u>(11.59)</u>   |

The accompanying notes form an integral part of these financial statements.

---

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

---

**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | 2018<br>US\$'000 | 2017<br>US\$'000 |
|---|------------------|------------------|
| Loss for the year   | (18,986)         | (73,888)         |
| <b>Other comprehensive income</b>   |                  |                  |
| <b>Items that are or may be classified subsequently to profit or loss:</b>    |                  |                  |
| Effective portion of changes in fair value of cash flow hedges                | –                | 8                |
| Net change in fair value of cash flow hedges reclassified to income statement | –                | 114              |
| Other comprehensive income for the year, net of tax                           | –                | 122              |
| <b>Total comprehensive loss for the year</b>                                  | <u>(18,986)</u>  | <u>(73,766)</u>  |

The accompanying notes form an integral part of these financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**CONSOLIDATED STATEMENT OF  
CHANGES IN UNITHOLDERS' FUNDS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | Note | Units in<br>issue<br>US\$'000 | Option<br>premium on<br>convertible<br>bonds<br>US\$'000 | Foreign<br>currency<br>translation<br>reserve<br>US\$'000 | Accumulated<br>losses<br>US\$'000 | Total<br>equity<br>US\$'000 |
|---|------|-------------------------------|--|---|-----------------------------------|-----------------------------|
| <b>At 1 January 2018</b>  |      | 523,284                       | –  | (6,725)   | (342,871)                         | 173,688                     |
| <b>Total comprehensive loss for the year</b>                            |      |                               |  |   |                                   |                             |
| <b>Loss for the year</b>  |      | –                             | –  | –   | (18,986)                          | (18,986)                    |
| <b>Other comprehensive income</b>                                       |      | –                             | –  | –   | –                                 | –                           |
| <b>Total comprehensive loss for the year</b>                            |      | –                             | –  | –   | (18,986)                          | (18,986)                    |
| <b>Transactions with unitholders,<br/>recognised directly in equity</b> |      |                               |  |   |                                   |                             |
| Issue of convertible  |      |                               |  |   |                                   |                             |
| bonds – equity component  | 12   | –                             | 560  | –   | –                                 | 560                         |
| Distributions to unitholders  | 19   | –                             | –  | –   | –                                 | –                           |
| <b>Total transactions with unitholders</b>                              |      | –                             | 560  | –   | –                                 | 560                         |
| <b>At 31 December 2018</b>  |      | 523,284                       | 560  | (6,725)   | (361,857)                         | 155,262                     |

|   | Note | Units in<br>issue<br>US\$'000 | Hedging<br>reserve<br>US\$'000 | Foreign<br>currency<br>translation<br>reserve<br>US\$'000 | Accumulated<br>losses<br>US\$'000 | Total<br>equity<br>US\$'000 |
|---|------|-------------------------------|--------------------------------|---|-----------------------------------|-----------------------------|
| <b>At 1 January 2017</b>  |      | 523,284                       | (122)                          | (6,725)   | (268,983)                         | 247,454                     |
| <b>Total comprehensive loss for the year</b>  |      |                               |                                |   |                                   |                             |
| <b>Loss for the year</b>  |      | –                             | –                              | –   | (73,888)                          | (73,888)                    |
| <b>Other comprehensive income</b>   |      |                               |                                |   |                                   |                             |
| <b>Items that are or may be classified<br/>subsequently to profit or loss:</b>      |      |                               |                                |   |                                   |                             |
| Effective portion of changes in fair<br>value of cash flow hedges                   |      | –                             | 8                              | –   | –                                 | 8                           |
| Net change in fair value of<br>cash flow hedges reclassified to<br>income statement |      | –                             | 114                            | –   | –                                 | 114                         |
| <b>Total other comprehensive income</b>   |      | –                             | 122                            | –   | –                                 | 122                         |
| <b>Total comprehensive loss for the year</b>  |      | –                             | 122                            | –   | (73,888)                          | (73,766)                    |
| <b>Transactions with unitholders,<br/>recognised directly in equity</b>             |      |                               |                                |   |                                   |                             |
| Distributions to unitholders  | 19   | –                             | –                              | –   | –                                 | –                           |
| <b>Total transactions with unitholders</b>  |      | –                             | –                              | –   | –                                 | –                           |
| <b>At 31 December 2017</b>  |      | 523,284                       | –                              | (6,725)   | (342,871)                         | 173,688                     |

The accompanying notes form an integral part of these financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**CONSOLIDATED STATEMENT OF  
CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

|   | Note     | 2018<br>US\$'000 | 2017<br>US\$'000 |
|---|----------|------------------|------------------|
| <b>Cash flows from operating activities</b>                 |          |                  |                  |
| Loss before tax   |          | (18,987)         | (73,887)         |
| Adjustments for:  |          |                  |                  |
| Depreciation expense on vessels                             | 4        | 31,731           | 37,106           |
| Impairment on vessels                                       | 4        | 20,648           | 81,129           |
| Amortisation of debt transaction costs                      |          | 533              | 851              |
| Amortisation of initial direct costs                        |          | 217              | 345              |
| Amortisation of deferred income                             |          | (678)            | (1,445)          |
| Interest income   |          | –                | (54)             |
| Interest expense  |          | 7,838            | 8,127            |
| Gain on disposal of vessels                                 |          | (886)            | (771)            |
| Operating cash flows before movements in working capital    |          | 40,416           | 51,401           |
| Changes in trade and other receivables                      |          | (2,256)          | (6,630)          |
| Changes in inventories                                      |          | –                | 122              |
| Changes in trade and other payables                         |          | 262              | 87               |
| Changes in lease income received in advance                 |          | (955)            | 2,555            |
| Cash generated from operations                              |          | 37,467           | 47,535           |
| Income taxes refunded                                       |          | 1                | 5                |
| <b>Net cash generated from operating activities</b>         |          | <b>37,468</b>    | <b>47,540</b>    |
| <b>Cash flows from investing activities</b>                 |          |                  |                  |
| Net proceeds on disposal of vessels                         |          | 19,146           | 5,813            |
| Costs incurred for dry-docking                              | 4        | (6)              | (3,451)          |
| Vessels initial direct costs                                | 4        | (40)             | –                |
| Interest received   |          | –                | 70               |
| <b>Net cash generated from investing activities</b>         |          | <b>19,100</b>    | <b>2,432</b>     |
| <b>Cash flows from financing activities</b>                 |          |                  |                  |
| Net proceeds from issuance of convertible bonds             | 12       | 6,585            | –                |
| Loan drawdown   | 11       | 108,000          | –                |
| Payment of debt transaction costs                           |          | (2,407)          | –                |
| Pledged deposit   | 7        | (500)            | –                |
| Repayment of secured bank loans                             | 11       | (124,781)        | (38,283)         |
| Prepayment of secured bank loans                            | 11       | (35,617)         | (33,575)         |
| Interest paid   |          | (7,668)          | (7,812)          |
| <b>Net cash used in financing activities</b>                |          | <b>(56,388)</b>  | <b>(79,670)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |          | <b>180</b>       | <b>(29,698)</b>  |
| Cash and cash equivalents at 1 January                      |          | 13,201           | 42,899           |
| <b>Cash and cash equivalents at 31 December</b>             | <b>7</b> | <b>13,381</b>    | <b>13,201</b>    |

The accompanying notes form an integral part of these financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**CONSOLIDATED STATEMENT OF  
CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

(CONT'D)

Reconciliation of liabilities arising from financing activities:

|   | At 1 January |           | Loan drawdown/<br>Net proceeds<br>from issuance<br>of convertible<br>bonds | Debt<br>transaction<br>costs<br>payments | Non-cash changes<br>Interest<br>expense | Amortisation<br>of debt<br>transaction<br>costs/bond<br>interest | At 31 December |
|---|--------------|-----------|--|--|---|--|----------------|
|   | US\$'000     | US\$'000  | US\$'000   | US\$'000                                 | US\$'000                                | US\$'000   | US\$'000       |
| <b>2018</b>                                 |              |           |  |  |   |  |                |
| <u>Secured bank loans (Note 11)</u>         |              |           |  |  |   |  |                |
| Secured bank loans                          | 151,306      | (160,398) | 108,000  | -  | -                                       | -  | 98,908         |
| Less: Unamortised debt transaction costs    | -            | -         | -  | (2,407)                                  | -                                       | 533  | (1,874)        |
|   | 151,306      | (160,398) | 108,000  | (2,407)                                  | -                                       | 533  | 97,034         |
| <u>Convertible bonds (Note 12)</u>          |              |           |  |  |   |  |                |
| Convertible bonds                           | -            | -         | 6,025  | -  | 574                                     | (312)  | 6,287          |
| Option premium on convertible bonds         | -            | -         | 560  | -  | -                                       | -  | 560            |
|   | -            | -         | 6,585  | -  | 574                                     | (312)  | 6,847          |
| <u>Accrued financing expenses (Note 14)</u> |              |           |  |  |   |  |                |
| Accrued loan interest                       | 930          | (7,473)   | -  | -  | 7,252                                   | -  | 709            |
| Accrued interest for amount due to agent    | -            | (10)      | -  | -  | 12                                      | -  | 2              |
| Accrued bond interest                       | -            | (185)     | -  | -  | -                                       | 312  | 127            |
|   | 930          | (7,668)   | -  | -  | 7,264                                   | 312  | 838            |
| <b>2017</b>                                 |              |           |  |  |   |  |                |
| <u>Secured bank loans (Note 11)</u>         |              |           |  |  |   |  |                |
| Secured bank loans                          | 223,164      | (71,858)  | -  | -  | -                                       | -  | 151,306        |
| Less: Unamortised debt transaction costs    | (851)        | -         | -  | -  | -                                       | 851  | -              |
|   | 222,313      | (71,858)  | -  | -  | -                                       | 851  | 151,306        |
| <u>Accrued financing expenses (Note 14)</u> |              |           |  |  |   |  |                |
| Accrued loan interest                       | 611          | (7,693)   | -  | -  | 8,012                                   | -  | 930            |
| Accrued swap interest                       | 4            | (119)     | -  | -  | 115                                     | -  | -              |
|   | 615          | (7,812)   | -  | -  | 8,127                                   | -  | 930            |

The accompanying notes form an integral part of these financial statements.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### 1. GENERAL INFORMATION

First Ship Lease Trust (the “Trust”) is a Singapore-domiciled business trust constituted pursuant to a Deed of Trust dated 19 March 2007 as amended and supplemented from time to time (the “Trust Deed”) with FSL Trust Management Pte. Ltd. (the “Trustee-Manager”). The Trustee-Manager’s registered office is 9 Temasek Boulevard, #19-03, Suntec Tower Two, Singapore 038989. The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust in trust for the unitholders as a whole.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited on 27 March 2007.

The Trust is a shipowner and provider of leasing services to the international shipping industry. As at 31 December 2018, the Trust had a modern, high quality and diverse portfolio of 19 vessels consisting of 12 product tankers, 3 containerships, 2 chemical tankers and 2 crude oil tankers. As at the authorisation date of the financial statements, 12 vessels are employed on leases (10 vessels on bareboat charter and two vessels on time charter) and have a dollar-weighted average remaining lease period of approximately two years (excluding extension periods and early buy-out options). The remaining seven vessels comprise two crude oil tankers in a RSA (Revenue Sharing Agreement), three product tankers in an MR product tanker pool and two product tankers in Sigma Tanker Pool. The combined portfolio of vessels has a dollar-weighted average age of approximately twelve years.

The consolidated financial statements relate to the Trust and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The financial statements were authorised for issue by the Trustee-Manager on 18 March 2019.

The Trust Deed provides for the following fees payable to the Trustee-Manager:

##### Management fees

The Trustee-Manager is entitled to receive a management fee of 4.0% of the cash lease income in the relevant calendar year.

Any change in the structure of the management fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The management fee payable to the Trustee-Manager is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable). Where the management fee is paid in cash, the amount is paid monthly, in arrears. Where the management fee is paid in the form of units, the amount is paid quarterly, in arrears.

##### Incentive fees

The Trustee-Manager is entitled to receive an incentive fee, payable quarterly and calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. The incentive fee is determined on the basis of comparing the net distribution amount per unit against a benchmark quarterly distribution per unit in accordance with the formula stipulated in the Trust Deed.

The incentive fee payable to the Trustee-Manager is payable in the form of cash or, at the option of the Trustee-Manager, by way of the issue of new units as soon as practicable after the end of the relevant quarter.

Any change in the structure of the incentive fees must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 1. GENERAL INFORMATION (CONT'D)

##### Trustee fees

The Trustee-Manager is entitled to receive a trustee fee of 0.02% per annum of the value of the Trust Property (being all the assets of the Trust, as stipulated in the Trust Deed). The trustee fee is payable out of the Trust Property of the Trust in cash on a quarterly basis. Each quarterly payment shall be determined based on the value of the Trust Property as at the last day of the immediately preceding quarter and as reflected in the quarterly financial information of the Group for that quarter. The Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Any change in the structure of the trustee fee must be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

##### Other fees

The Trustee-Manager is also entitled to the following:

- An acquisition fee amounting to 1.0% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the acquisition price of vessels acquired directly or indirectly by the Trust, pro-rated if applicable, to the proportion of the Trust's interest. The acquisition fee is payable in the form of cash and/or units (as the Trustee-Manager may elect, such election to be irrevocable and made before the payment of the acquisition fee). No acquisition fee is payable on the acquisition of the initial portfolio of vessels.
- A disposal fee amounting to 0.5% (or such lower percentage as may be determined by the Trustee-Manager in its absolute discretion) of the sale price of vessels disposed, pro-rated if applicable, to the proportion of the Trust's interest. The disposal fee is payable in cash.

Any increase in the acquisition fee or disposal fee above the permitted limit or any change in the structure of such fees shall be approved by an extraordinary resolution of a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the Trustee-Manager to exercise its judgement and make certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.



---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.1 Basis of Preparation (cont'd)

Adoption of New and Revised IFRS

For the financial year ended 31 December 2018, the Group has adopted the following new and revised IFRS which are relevant to the Group and mandatory for application:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new “expected credit loss” model. The Group adopted IFRS 9 from 1 January 2018.

In accordance with the transitional provisions in IFRS 9 paragraph 7.2.15 and 7.2.26, comparative figures have not been restated. Accordingly, requirements of IAS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017 (Accounting policy Note 2.7(b)). Additionally, the Group is exempted from complying with IFRS 7 for the comparative period to the extent that the disclosures required by IFRS 7 relate to the items within the scope of IFRS 9. As a result, the requirements under IFRSs are applied in place of the requirements under IFRS 7 and IFRS 9 to comparative information about items within the scope of IFRS 9.

Changes in accounting policies resulting from the adoption of IFRS 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held; and
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- If a debt instrument has a low credit risk at 1 January 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policies for financial liabilities.

Details of their impact on the Group's consolidated financial statements as well as the new requirements are described below.

(i) Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under IFRS.

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policy for financial assets and liabilities except that trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost.

(ii) Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with an “expected credit loss” model. The new impairment model applies to financial assets measured at amortised cost.

The application of IFRS 9 impairment requirements at 1 January 2018 did not have a significant impact on the financial performance and financial position of the Group. Additional information about how the Group measures the allowance for impairment is described in Note 6 and Note 24.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.1 Basis of Preparation (cont'd)

Adoption of New and Revised IFRS (cont'd)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group adopted IFRS 15 in its financial statements using the retrospective application approach. The adoption of IFRS 15 did not have a significant impact on the financial performance or financial position of the Group.

New and Revised IFRS Issued But Not Yet Effective

As at the date of authorisation of these financial statements, the Group has not adopted the following standards that have been issued but are not yet effective:

IFRS 16 Leases

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees. The standard is effective for annual periods beginning on or after 1 January 2019. At the date of this report, management is of the view that the adoption of this standard will have no impact on the financial performance or the financial position of the Group upon implementation.

Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modifications of Financial Liabilities

The amendments provide an exception for entities to measure at amortised cost some prepayable financial assets with negative compensation (i.e prepayment amount that is substantially less than unpaid amounts of principal and interest).

The amendments also include clarifications to the accounting for a modification or exchange of a financial liability that does not result in de-recognition. It clarifies that an entity should recognise a gain or loss in profit or loss immediately at the date of such modification or exchange. The amendments are effective for annual periods beginning on or after 1 January 2019.

At the date of this report, management is of the view that the adoption of this standard will have no impact on the financial performance or the financial position of the Group upon implementation.

Amendments to IAS 28 Long Term Interest in Associates and Joint Venture

The amendments clarify that IFRS 9 Financial Instruments, including its impairment requirements, applies to long-term interests in an associate or joint venture to which the equity method is not applied but, in substance, form part of the net investment in associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2019.

At the date of this report, management is of the view that the adoption of this standard will have no impact on the financial performance or the financial position of the Group upon implementation.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.1 Basis of Preparation (cont'd)

New and Revised IFRS Issued But Not Yet Effective (cont'd)

###### Improvements to IFRS 3 and IFRS 11      Business Combinations and Joint Arrangements

This amendment prescribes the accounting requirements when an entity obtains control of a business that met the definition of a joint operation immediately before the date at which control is obtained. In such a situation, the entity should apply the accounting requirements applicable to business combinations achieved in stages, which includes re-measuring in accordance with IFRS 3 the entire interest in the joint operation that was held prior to the date at which control is obtained. The amendment is applicable to annual periods beginning on or after 1 January 2019.

At the date of this report, management is of the view that the adoption of this standard will have no impact on the financial performance or the financial position of the Group upon implementation.

###### IFRIC 23      Uncertainty over Income Tax Treatments

The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertain tax treatment separately or together as a Company. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. IFRIC 23 provides the following guidance on determining an entity's accounting tax positions:

- If it is probable that the taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filing.
- If it is not probable, an entity should estimate the effect of the uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

The amendments are effective for annual periods beginning on or after 1 January 2019. At the date of this report, management is of the view that the adoption of this standard will not have any impact on the financial performance or financial position of the Group.

###### Amendments to IAS 12      Income Taxes

This amendment requires an entity to recognise the income tax consequences of dividends paid in profit or loss, other comprehensive income, or equity, according to where the entity originally recognised those past transactions or events. The tax consequences should be recognised when the liability to pay the dividend is recognised. The amendments are effective for annual periods beginning on or after 1 January 2019. At the date of this report, management is of the view that the adoption of this standard will not have any impact on the financial performance or financial position of the Group.

###### Amendments to IAS 23      Borrowing Costs

This amendment clarifies that after a qualifying asset is ready for its intended use or sale, any outstanding borrowings made specifically to obtain that qualifying asset should be included within the pool of general borrowings used to calculate capitalised borrowing costs.

The amendments are effective for annual periods beginning on or after 1 January 2019. At the date of this report, management is in the process of adopting the standard.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.2 Basis of Consolidation

###### Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

###### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

###### Accounting for subsidiaries by the Trust

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairments.

##### 2.3 Foreign Currencies

###### Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The financial statements are presented in United States ("US") dollars which is the Trust's functional currency. All financial information presented in US dollars has been rounded to the nearest thousand, unless otherwise stated.

###### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

###### Foreign operations

The assets and liabilities of foreign operations are translated to US dollars at exchange rates at the end of the reporting date. The income and expenses of foreign operations are translated to US dollars at exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented within equity in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is transferred to the income statement.

###### Net investment in a foreign operation

Exchange differences arising from monetary items that in substance form part of the Trust's net investment in a foreign operation are recognised in other comprehensive income, and are presented within equity in the foreign currency translation reserve in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the income statement as an adjustment to the profit or loss arising on disposal.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.4 Vessels

Vessels are stated at cost less accumulated depreciation and accumulated impairments.

Cost includes expenditure that is directly attributable to the acquisition of the vessel as well as initial direct costs incurred in negotiating and arranging the operating lease of the vessel.

The cost of replacing part of an item of a vessel is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

Vessels are depreciated on a straight-line basis at rates which are calculated to write-down their cost to their estimated residual values at the end of the economic useful life of 25 years. The residual value of such vessel is estimated based on the average scrap steel price per light weight tonne in recent years.

Vessels leased on a long-term bareboat charter basis under operating lease agreements are depreciated on a straight-line basis down to the estimated residual value at the end of the base lease term of twelve years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

On disposal of a vessel, the difference between the disposal proceeds and its carrying amount is recognised in the income statement.

Dry-docking costs are capitalised and included in vessels costs and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally five years.

##### 2.5 Non-current Assets Classified as Held-for-Sale

Non-current assets are classified as held for sale or distribution if their carrying amount will be recovered through a sale transaction or distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less cost to sell (fair value less costs to distribute).

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment that has been previously recognised) is recognised in income statement.

##### 2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is derived on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. When inventories are consumed, the carrying amount of these inventories is recognised as an expense in the year in which the consumption occurs.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.7 Financial Instruments

###### (a) Financial assets (accounting policies are applicable from 1 January 2018)

###### Recognition and de-recognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

###### Classification and measurement

The Group classifies its financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the income statement.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

The Group measures its debt instruments at amortised cost. These are debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the income statement when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

###### Impairment

The Group assesses on a forward looking basis the expected credit losses associated with (i) financial assets measured at amortised cost and (ii) intra-company financial guarantee contracts.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime expected credit losses – represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.7 Financial Instruments (cont'd)

###### (a) Financial assets (accounting policies are applicable from 1 January 2018) (cont'd)

###### Impairment (cont'd)

###### Simplified approach – Trade receivables

The Group applies the simplified approach to provide expected credit losses for all trade receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

###### General approach – Other financial instruments and financial guarantee contracts

The Group applies the general approach to provide for expected credit losses on all other financial instruments and financial guarantee contracts, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, a loss allowance is measured at an amount equal to lifetime expected credit losses. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Group considers a financial guarantee contract to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

###### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

###### Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.7 Financial Instruments (cont'd)

###### (a) Financial assets (accounting policies are applicable from 1 January 2018) (cont'd)

###### Impairment (cont'd)

###### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any recoveries made are recognised in profit or loss.

###### (b) Financial assets (accounting policies are applicable up to 31 December 2017)

###### Non-derivative financial instruments

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset.

###### Non-derivative financial assets

The Group classifies non-derivative financial assets into loans and receivables.

###### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any allowance for impairments.

Loans and receivables comprise trade and other receivables and cash and cash equivalents. Cash and cash equivalents comprise cash balances and bank deposits.

###### Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

###### Impairment of financial assets: loans and receivables

An impairment in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant loans and receivables are tested for impairment on an individual basis. The remaining loans and receivables are assessed collectively in groups that share similar credit risk characteristics.

All impairments are recognised in the income statement. An impairment in respect of financial assets measured at amortised cost is reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment was recognised. The reversal is recognised in the income statement.



---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.7 Financial Instruments (cont'd)

###### (c) Financial liabilities and units in issue

###### Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise bank loans, convertible bonds and trade and other payables.

###### Units in issue

Units issued are classified as equity.

Unit issue costs represent expenses incurred in connection with the issue of units. All such expenses are deducted directly from unitholders' funds, net of any tax effects.

When the Trust purchases the units issued, the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within statement of changes in unitholders' funds, until they are cancelled, sold or reissued.

When units are subsequently cancelled, the costs of units are deducted against the units in issue if the units are purchased out of capital of the Trust.

##### 2.8 Borrowings

###### (a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

###### (b) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the Statement of Financial Position.

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.9 Leases (when entities within the Group are lessors of an operating lease)

The Group owns vessels and leases them to lessees under fixed and floating rate bareboat/time charter arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

Lease income is recognised in the income statement on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging an operating lease added to the carrying amount of the leased asset are recognised as an expense in the income statement over the lease term on the same basis as the lease income.

##### 2.10 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairments are recognised in the income statement. Impairment recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment in respect of non-financial assets recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

##### 2.11 Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue from bareboat charters and time charters, which are an operating lease in nature, is recognised on a straight-line basis over the period of the charter contracts (Note 2.9).

Deferred income, arising from the consideration received by the Group as part of an agreement to permanently amend the terms on its two TORM charter contracts, is recognised in the income statement as 'bareboat charter lease income' over the remaining lease term on the TORM charter contracts. These contracts expired during the financial year ended 31 December 2018.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.11 Revenue Recognition (cont'd)

For vessels deployed in the spot market, freight income is recognised over time as the performance obligation is satisfied based on the percentage of completion method calculated on a load-to- discharge basis over the voyage period.

For vessels deployed on a pool arrangement, the pool measures revenue on a time charter equivalent basis based on the contractual rates and the duration of each voyage for each vessel, and revenue is recognised by the Group upon delivery of the service in accordance with the terms and conditions of the charter parties. Total pool revenue is derived by aggregating the revenues earned by each vessel participating in the pool. Each vessel owner's share of the total pool revenue is primarily dependent on the (i) number of days the vessel has been available for the pool in relation to the total available pool earning days during the period, and (ii) pool points assigned to each vessel in the pool. Pool points are generally determined based on the size and performance of the vessel. The pool revenue is net of pool commission, bunkers costs and related voyage expenses.

##### 2.12 Finance Income and Finance Expense

Finance income comprises interest income on funds invested, net foreign currency gains and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings and net foreign currency losses.

All borrowing costs are recognised in the income statement using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

##### 2.13 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### 2.14 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management of the Trustee-Manager who are responsible for allocating resources and assessing performance of the operating segments.

#### 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are reviewed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Critical Accounting Estimates and Assumptions

The following are the key sources of estimation and assumptions at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### 3.1 Estimated Useful Lives of Vessels

The Group estimates the useful lives of the vessels based on the period over which the vessel is expected to be available for use. The estimated economic useful lives of the vessels (25 years) are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical obsolescence and legal or other limits on the use of the relevant asset. In addition, the estimation of the useful lives of the vessels is on the collective assessment of industry practice, internal technical evaluation and experience with similar vessels.

During the financial year ended 31 December 2018, the Group has reviewed and is satisfied that the useful lives of these vessels remained appropriate. The depreciation charged on the vessels for the financial year ended 31 December 2018 amounted to US\$31,731,000 (2017: US\$37,106,000). As at 31 December 2018, the carrying amount of the vessels amounted to US\$225,538,000 (2017: US\$289,077,000). If the expected useful lives of the vessels are to increase/decrease by 10% from management estimates, the Group's depreciation will decrease and increase by approximately US\$2,738,000 (2017: US\$3,243,000) and US\$3,347,000 (2017: US\$3,964,000) respectively.

##### 3.2 Estimated Residual Values of Vessels

The Group reviews the residual values of the vessels at each reporting date to ensure that the carrying amounts are consistent with the estimated value of a future disposal.

The residual values of the vessels are estimated based on the average scrap steel price per light weight tonne in recent years. In determining the residual values of vessels leased on a long-term bareboat charter basis under operating lease agreements, the Group has considered various factors such as the type, size, age of these vessels and the existing lease arrangements.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

Critical Accounting Estimates and Assumptions (cont'd)

##### 3.3 Impairment Assessment of Vessels

Impairment is recognised when events and circumstances indicate that the vessel may be impaired and the carrying amount of the vessel exceeds the recoverable amount. The recoverable amount for each vessel is determined based on the higher of the fair value of the vessel less the estimated costs of disposal and the carrying value of the vessels based on a "value-in-use" methodology.

In determining the fair value less costs of disposal, the Group has obtained valuation reports from third party sources in December 2018. The valuation of the vessels was prepared assuming a sale between a willing seller and a willing buyer on a charter-free basis.

For the value-in-use calculations, the Group determined the cash flows based on past performance and their expectation of market development. The Group prepared the value-in-use calculation based on projected cash flows over the remaining useful life of each vessel and its projected residual value.

The projected cash inflows are based on existing charter contract rates and/or inflation-adjusted daily rates from observable historical trends of five to 10 years. Management has adjusted the projected cash flows with management's assessment of the achievable cash flows based on recent performance of the vessels and the age of the vessels. If the Group were to project cash flows based on the current average rates, the carrying values of the vessels will decrease by approximately 15% (2017: 7%).

The projected cash outflows take into consideration each vessel's inflation-adjusted actual and budgeted operating expenses. The pre-tax discount rate is 8.18% (2017: 6.62%) and takes into account the time value of money and the risks specific to the vessels' estimated cash flows. If the pre-tax discount rates increases by 1%, the carrying values of the vessels will decrease by approximately 3% (2017: 3%).

During the financial year ended 31 December 2018, the Group recognised an impairment on vessels amounting to US\$20,648,000 (2017: US\$81,129,000). As at 31 December 2018, the carrying amount of the vessels was US\$225,538,000 (2017: US\$289,077,000).

Critical Judgements

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are as follows:

##### 3.4 Classification of Leases

The Group owns vessels and leases them to lessees under fixed and floating rate bareboat/time charter arrangements. These charters are classified as operating leases. In determining lease classification at inception, the Group evaluated the terms and conditions of the charter arrangement. As the present values of minimum lease payments do not amount to substantially the fair values of the vessels, and the purchase options, where applicable, are not expected to be sufficiently lower than the fair values at the date the options become exercisable, the Group has assessed that substantially all the risks and rewards of the vessels remain with the Group.

During the financial year ended 31 December 2018, the Group earned bareboat charter lease income and time charter income of US\$30,310,000 and US\$6,205,000 (2017: US\$35,516,000 and US\$17,054,000) respectively.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**4. VESSELS**

| <b>Group</b>   | <b>Vessels<br/>US\$'000</b> | <b>Initial direct<br/>costs<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> |
|--|-----------------------------|--|---------------------------|
| <b>2018</b>  |                             |  |                           |
| <b>Cost</b>  |                             |  |                           |
| At 1 January 2018  | 799,324                     | 7,561  | 806,885                   |
| Addition   | 6                           | 40   | 46                        |
| Reclassified to non-current assets classified as held-for-sale | (58,037)                    | (696)  | (58,733)                  |
| At 31 December 2018  | <u>741,293</u>              | <u>6,905</u>                                 | <u>748,198</u>            |
| <b>Less:</b>   |                             |  |                           |
| <b>Accumulated depreciation/amortisation and impairments</b>   |                             |  |                           |
| At 1 January 2018  | 510,981                     | 6,827  | 517,808                   |
| Depreciation/amortisation charge for the year                  | 31,731                      | 217  | 31,948                    |
| Impairment recognised in the income statement                  | 20,648                      | –  | 20,648                    |
| Reclassified to non-current assets classified as held-for-sale | (47,048)                    | (696)  | (47,744)                  |
| At 31 December 2018  | <u>516,312</u>              | <u>6,348</u>                                 | <u>522,660</u>            |
| <b>Carrying amount</b>   |                             |  |                           |
| At 31 December 2018  | <u>224,981</u>              | <u>557</u>                                   | <u>225,538</u>            |
| <b>2017</b>  |                             |  |                           |
| <b>Cost</b>  |                             |  |                           |
| At 1 January 2017  | 900,510                     | 7,561  | 908,071                   |
| Addition   | 3,451                       | –  | 3,451                     |
| Disposal   | (24,467)                    | –  | (24,467)                  |
| Reclassified to non-current assets classified as held-for-sale | (80,170)                    | –  | (80,170)                  |
| At 31 December 2017  | <u>799,324</u>              | <u>7,561</u>                                 | <u>806,885</u>            |
| <b>Less:</b>   |                             |  |                           |
| <b>Accumulated depreciation/amortisation and impairments</b>   |                             |  |                           |
| At 1 January 2017  | 474,677                     | 5,886  | 480,563                   |
| Depreciation/amortisation charge for the year                  | 37,106                      | 345  | 37,451                    |
| Disposal   | (19,425)                    | –  | (19,425)                  |
| Impairment recognised in the income statement                  | 80,533                      | 596  | 81,129                    |
| Reclassified to non-current assets classified as held-for-sale | (61,910)                    | –  | (61,910)                  |
| At 31 December 2017  | <u>510,981</u>              | <u>6,827</u>                                 | <u>517,808</u>            |
| <b>Carrying amount</b>   |                             |  |                           |
| At 31 December 2017  | <u>288,343</u>              | <u>734</u>                                   | <u>289,077</u>            |

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 4. VESSELS (CONT'D)

The Group's vessels with a net carrying value of US\$225,538,000 (2017: US\$289,077,000), are mortgaged to financial institutions (Note 11).

Dry-docking costs included in vessel costs are capitalised and depreciated on a straight-line basis over the period to the next scheduled dry-docking, which is generally five years. As at 31 December 2018, the net carrying value of dry-docking amounted to US\$3,785,000 (2017: US\$5,979,000).

As at 31 December 2018, the Group reclassified one product tanker (2017: one chemical tanker and one containership) to non-current assets classified as held-for-sale. The Group recorded an impairment on the vessel amounting to US\$6,335,000 (2017: US\$8,919,000) in the income statement. These are non-recurring fair value which have been measured using observable inputs, being the prices based on Memorandum of Agreements comparable to sale of similar vessel and these are within Level 2 of fair value hierarchy (Note 24).

In addition, during the financial year ended 31 December 2018, the Group recorded a further impairment of US\$14,313,000 for the remaining vessels based on value in use calculations. During the previous financial year ended 31 December 2017, the Group recorded a further impairment of US\$72,210,000 for the remaining vessels, comprising of US\$47,274,000 based on value in use calculations and US\$24,936,000 based on fair value less cost of disposal.

The value in use calculations use discounted cash flow projections based on the projected cash flows over the remaining useful life of each vessel and its projected residual value, which was based on the average scrap steel price per light weight tonne in recent years or the values obtained from third party sources. The fair value less cost of disposal is based on the sale of similar vessels and is therefore within Level 2 of the fair value hierarchy (Note 24).

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**5. SUBSIDIARIES**

- (a) Total interests in subsidiaries

|  | Trust    |          |
|--|----------|----------|
|  | 2018     | 2017     |
|  | US\$'000 | US\$'000 |
| <b>Equity investments</b>                          |          |          |
| At cost (Note (i))                                 | 78,079   | 122,031  |
| Return of equity                                   | (9,947)  | (9,947)  |
| Impairment recognised <sup>(1)</sup>               | (22,820) | (60,519) |
|  | 45,312   | 51,565   |
| <b>Amount due from subsidiaries (non-trade)</b>    |          |          |
| At cost  | –        | 169,426  |
| Impairment recognised <sup>(1)</sup>               | –        | (5,128)  |
|  | –        | 164,298  |
| <b>Total interests in subsidiaries</b>             | 45,312   | 215,803  |
| <b>(i) Movement of Equity investments, At cost</b> |          |          |
| At 1 January                                       | 122,031  | 122,031  |
| Addition during the year (Note (b))                | 2        | –        |
| De-register during the year (Note (b))             | (24)     | –        |
| Write off against impairment                       | (43,930) | –        |
| At December  | 78,079   | 122,031  |

(1) Impairment recognized is eliminated at consolidation

- (b) During the financial year ended 31 December 2018, the Trust incorporated three new subsidiaries, namely FSL 9 & 10 Holding Ltd, FSL-28, Inc. and FSL-29, Inc.. The principal activity of FSL 9 & 10 Holding Ltd is that of an investing holding company of FSL-9 Pte. Ltd. and FSL-10 Pte. Ltd. The principal activities of FSL-28, Inc. and FSL-29, Inc. are that of ship ownership. The Trust de-registered its subsidiary in Netherlands, FSL Netherlands B.V. during the year.
- (c) Management performed an impairment test for the investment in its subsidiaries. An impairment of US\$6,231,000 (2017: US\$33,595,000) was recognised for the financial year ended 31 December 2018 to write down the investment in subsidiaries to their recoverable amount. The recoverable amount of the investment in these subsidiaries have been determined based on value in use which approximates their net assets as at 31 December 2018.
- (d) The amounts due from subsidiaries were unsecured and interest-free. As the amounts were in substance, part of the Trust's net investments in the subsidiaries, they were included as interests in subsidiaries and stated at cost less impairments. During the financial year ended 31 December 2018 as part of the Trust settlement of its bank loans (Note 11), part of the amounts due from subsidiaries were repaid and the remaining amounts have been classified as current receivables (Note 6).



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**5. SUBSIDIARIES (CONT'D)**

(e) Details of the subsidiaries are as follows:

| Name of subsidiaries   | Country of Incorporation | Effective equity held<br>by the Group |           |
|------------------------|--------------------------|---------------------------------------|-----------|
|                        |                          | 2018<br>%                             | 2017<br>% |
| FSL-1, Inc.            | Marshall Islands         | 100                                   | 100       |
| FSL-2, Inc.            | Marshall Islands         | 100                                   | 100       |
| FSL-3, Inc.            | Marshall Islands         | 100                                   | 100       |
| FSL-4, Inc.            | Marshall Islands         | 100                                   | 100       |
| FSL-5, Inc.            | Marshall Islands         | 100                                   | 100       |
| FSL-6, Inc.            | Marshall Islands         | 100                                   | 100       |
| FSL-9 Pte. Ltd.        | Singapore                | 100                                   | 100       |
| FSL-10 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-11 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-12 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-13 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-14, Inc.           | Marshall Islands         | 100                                   | 100       |
| FSL-15, Inc.           | Marshall Islands         | 100                                   | 100       |
| FSL-16, Inc.           | Marshall Islands         | 100                                   | 100       |
| FSL-18 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-19 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-20, Inc.           | Marshall Islands         | 100                                   | 100       |
| FSL-21, Inc.           | Marshall Islands         | 100                                   | 100       |
| FSL-22, Inc.           | Marshall Islands         | 100                                   | 100       |
| FSL-23 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-24 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-25 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-26 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-27 Pte. Ltd.       | Singapore                | 100                                   | 100       |
| FSL-28, Inc.           | Marshall Islands         | 100                                   | –         |
| FSL-29, Inc.           | Marshall Islands         | 100                                   | –         |
| FSL 9 & 10 Holding Ltd | Cyprus                   | 100                                   | –         |
| FSL Netherlands B.V.   | Netherlands              | –                                     | 100       |

Moore Stephens LLP, Singapore is the auditor for all of the Singapore-incorporated subsidiaries. No statutory audit is required for subsidiaries incorporated in Marshall Islands, in Cyprus and in Netherlands under the laws of their respective countries of incorporation.

All of the Singapore-flagged vessel-owning subsidiaries are subject to externally imposed capital requirements, as required under Regulation 5 of the Merchant Shipping (Registry of Ships) Regulations, which have been complied with.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**6. TRADE AND OTHER RECEIVABLES**

|  | Group            |                  | Trust            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Trade receivables  | 4,218            | 3,106            | –                | –                |
| Other receivables  | 785              | 793              | 39               | 25               |
| Amounts due from subsidiaries                            | –                | –                | 76,538           | 37,659           |
| Deposits placed with Commercial/Pool Managers            | 5,547            | 4,946            | –                | –                |
| Deposits with third parties                              | 9                | 1,240            | 2                | 1,240            |
| Claims receivables due from a former charterer (Note 25) | 2,020            | –                | –                | –                |
| Trade and other receivables                              | 12,579           | 10,085           | 76,579           | 38,924           |
| Prepayments  | 181              | 419              | 7                | 67               |
|  | <u>12,760</u>    | <u>10,504</u>    | <u>76,586</u>    | <u>38,991</u>    |

- (a) Trade receivables are amounts due from charterers which are unsecured, interest-free and repayable within 60 days. As at 31 December 2018, the trade receivables are classified as current debts. The Group does not have historical credit loss and loss allowance measured at an amount equal to lifetime expected credit losses are assessed to be minimal.
- (b) The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. During the financial year ended 31 December 2018, the Trust recognised an impairment of US\$10,151,000 in the income statement due to changes in credit risk. As at 31 December 2018, the Trust has an accumulated allowance for impairment amounting to US\$15,279,000.
- (c) Other receivables (including deposits placed with commercial/pool managers) are considered to have low credit risk. Loss allowance measured at an amount equal to 12-month expected credit loss are assessed to be minimal.
- (d) In place was a master offsetting agreement between the Trust and its subsidiaries to settle the net amount due to or from each other if required. For such arrangements, the receivables and payables from each counterparty are presented on a net basis.

|                                      | Related amounts set of in the statement<br>of financial position |   | Net amounts-financial<br>assets presented in<br>the statement of<br>financial position<br>US\$'000 |
|--------------------------------------|--|---|--|
|                                      | Gross amounts-<br>financial assets<br>US\$'000                   | Gross amounts-<br>financial liabilities<br>US\$'000 |  |
| <b>Amounts due from subsidiaries</b> |  |   |  |
| <b>2018</b>                          | 100,635  | (24,097)  | 76,538   |
| <b>2017</b>                          | 48,948   | (11,289)  | 37,659   |

**7. CASH AND CASH EQUIVALENTS**

|  | Group            |                  | Trust            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Cash at bank   | 13,881           | 13,201           | 1,331            | 5,507            |
| Less: Restricted cash at bank  | (500)            | –                | –                | –                |
| Cash and cash equivalents in the<br>Consolidated Statement of Cash Flows | <u>13,381</u>    | <u>13,201</u>    | <u>1,331</u>     | <u>5,507</u>     |

The restricted cash at bank is the minimum cash balance maintained with the lender as part of the loan facility entered during the year ended 31 December 2018 (Note 11).

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE**

|  | Group    |          |
|--|----------|----------|
|  | 2018     | 2017     |
|  | US\$'000 | US\$'000 |
| Non-current assets classified as held-for-sale | 10,989   | 18,260   |

During the financial year ended 31 December 2018, the Group reclassified the product tanker, FSL Hamburg (2017: one chemical tanker, FSL Tokyo and one containership, FSL Busan) as “Non-current assets classified as held-for-sale”.

During the financial year ended 31 December 2018, the Group disposed two vessels (one chemical tanker, FSL Tokyo and one containership, FSL Busan) for a total net cash consideration of approximately US\$19,146,000, resulting in a gain on disposal of US\$886,000. During the previous financial year ended 31 December 2017, the Group disposed one containership, FSL Santos for a net cash consideration of approximately US\$5,813,000, resulting in a gain on disposal of US\$771,000.

**9. UNITS IN ISSUE**

|                              | Group and Trust            |                            |                            |                            |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                              | 2018                       |                            | 2017                       |                            |
|                              | Number<br>of units<br>'000 | Amount<br>paid<br>US\$'000 | Number<br>of units<br>'000 | Amount<br>paid<br>US\$'000 |
| Fully paid units:            |                            |                            |                            |                            |
| At 1 January and 31 December | 637,457                    | 523,284                    | 637,457                    | 523,284                    |

All issued units are fully paid. There is no par value for these units. The holders of units are entitled to receive distributions as declared from time to time and are entitled to one vote per unit at meetings of the Trust. All units rank equally with regard to the Trust's residual assets.

**10. RESERVES**

|   | Group            |                  | Trust            |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2018             | 2017             | 2018             | 2017             |
|   | US\$'000         | US\$'000         | US\$'000         | US\$'000         |
| Option premium on convertible bonds (Note 12) | 560              | –                | 560              | –                |
| Foreign currency translation reserve          | (6,725)          | (6,725)          | –                | –                |
| Accumulated losses                            | (361,857)        | (342,871)        | (407,600)        | (415,653)        |
|   | <u>(368,022)</u> | <u>(349,596)</u> | <u>(407,040)</u> | <u>(415,653)</u> |

The foreign currency translation reserve comprises: foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust; and foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**11. BANK LOANS**

|   | Group            |                  | Trust            |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Secured bank loans</b>                   |                  |                  |                  |                  |
| Non-current                                 | 73,765           | –                | –                | –                |
| Current                                     | 23,269           | 151,306          | –                | 151,306          |
| Total carrying amount of secured bank loans | 97,034           | 151,306          | –                | 151,306          |
| Add: Unamortised debt transaction costs     | 1,874            | –                | –                | –                |
| Total face value of secured bank loans      | 98,908           | 151,306          | –                | 151,306          |

(a) During the financial year ended 31 December 2018, the Group repaid in full the term loan facility entered in 2011 amounting to US\$151,306,000. In the same year, the Group secured new loan facilities with three lenders, amounting to US\$108,000,000. The loans bear interest at margin over US\$ 1-month or US\$ 3-month LIBOR. In 2018, the principal weighted average interest margin over LIBOR was 4.012% (2017: 2.8%).

(b) The term loan facilities are secured on the following:

- (i) a first priority mortgage over the Group's vessels;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) pledge of the shares of all the vessel-owning subsidiaries.

As at 31 December 2018, the Group is in compliance with the terms of the loan agreements.

(c) Under the terms of the three new loan facilities entered during the financial year ended 31 December 2018, the loans are repayable in monthly or quarterly instalments, and mature between 2020 and 2022. During the financial year ended 31 December 2018, the Group made total loan repayments amounting to US\$9,092,000. The table below summarises the maturity profile of the Group's bank loans at the end of the reporting period based on contractual undiscounted repayment obligations.

|                           | Carrying<br>amount<br>US\$'000 | Cash flows including interest                  |                                |  |
|---------------------------|--------------------------------|--|--------------------------------|--|
|                           |                                | Total<br>Contractual<br>cash flows<br>US\$'000 | Within<br>one year<br>US\$'000 | Within<br>one to five<br>years<br>US\$'000 |
| <b>Group</b>              |                                |  |                                |  |
| <b>Secured bank loans</b> |                                |  |                                |  |
| <b>2018</b>               | 97,034                         | (113,476)                                      | (30,439)                       | (83,037)                                   |
| <b>2017</b>               | 151,306                        | (159,560)                                      | (159,560)                      | (159,560)                                  |

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**12. CONVERTIBLE BONDS**

In May 2018, the Trust issued 7% redeemable convertible bonds denominated in United States Dollars (US\$) with a nominal value of US\$7,250,000. The bonds will mature in November 2020. The bonds may be converted into units of the Trust at the option of the subscriber, at an agreed conversion price of US\$0.05687 per unit. The agreed conversion price will be subject to adjustment due to the anti-dilution clause upon the occurrence of certain adjustment events, including rights issues of Units. The maximum number of new units that may be issued by the Trust to the Subscriber will be 127,483,735 new units. The Trust has the option to redeem all the bonds at any time. On maturity date, the Trust will redeem any remaining bonds at 100% of the principal amount of the bond together with any unpaid accrued interest on the maturity date.

The fair value of the liability component, included in non-current liabilities is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in the Statement of Changes in Equity. The carrying amount of the liability component of the convertible bonds at the reporting date is derived as follows:

| <b>Group and Trust</b>                                       | <b>2018<br/>US\$'000</b> |
|--|--------------------------|
| Face value of convertible bonds at issuance, net of cost     | 6,585                    |
| Equity conversion component on initial recognition (Note 10) | (560)                    |
| Liability component on initial recognition                   | 6,025                    |
| Accumulated amortisation of interest expense                 | 574                      |
| Accumulated payments of interest                             | (312)                    |
| Liability component at end of financial year                 | <u>6,287</u>             |

The table below summarises the maturity profile of the Group's convertible bonds at the end of the reporting period based on contractual undiscounted repayment obligations.

| <b>Group and Trust</b> | <b>Carrying<br/>amount<br/>US\$'000</b> | <b>Cash flows including interest</b>                     |   |  |
|------------------------|---|--|---|--|
|                        |   | <b>Total<br/>Contractual<br/>cash flows<br/>US\$'000</b> | <b>Within<br/>one year<br/>US\$'000</b> | <b>Within<br/>one to five<br/>years<br/>US\$'000</b> |
| <b>2018</b>            | 6,287                                   | 8,209  | 507                                     | 7,702  |

**13. DEFERRED INCOME**

| <b>Deferred Income</b> | <b>Group</b>             |                          |
|------------------------|--------------------------|--------------------------|
|                        | <b>2018<br/>US\$'000</b> | <b>2017<br/>US\$'000</b> |
| Current                | –                        | <u>678</u>               |

Deferred income recognised on the Statement of Financial Position upon the receipt of shares in TORM by the Group was amortised to the Income Statement over the remaining lease term on the TORM charter contracts. These contracts expired in June 2018.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**14. TRADE AND OTHER PAYABLES**

|                                    | Group            |                  | Trust            |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Trade payables                     | 93               | 436              | –                | –                |
| Accrued financing expenses         | 838              | 930              | 127              | 930              |
| Accrued operating expenses         | 383              | 626              | 136              | 407              |
| Lease income received in advance   | 1,688            | 2,643            | –                | –                |
| Other payables                     | 890              | 669              | 431              | 84               |
| Amounts due to agent               | 539              | –                | –                | –                |
| Amounts due to related parties     | 57               | 2                | 4                | 2                |
| Amounts due to the Trustee-Manager | 97               | 64               | –                | 1                |
|                                    | 4,585            | 5,370            | 698              | 1,424            |

The amounts due to related parties are trade in nature, unsecured, interest-free and repayable within credit terms. The amounts due to the Trustee-Manager are non-trade in nature, unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's and the Trust's financial liabilities have a maturity of less than one year and approximate the contractual undiscounted cash flows amounts.

**15. REVENUE**

|   | Group            |                  |
|---|------------------|------------------|
|   | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Performance obligations satisfied overtime</b> |                  |                  |
| Bareboat charter lease income                     | 30,310           | 35,516           |
| Time charter income                               | 6,205            | 17,054           |
| Pool income                                       | 24,749           | 25,538           |
| Freight income                                    | 5,782            | 3,391            |
|   | 67,046           | 81,499           |

Bareboat charter lease income relates to lease income derived from operating leases. Included in bareboat charter lease income, US\$678,000 (2017: US\$1,445,000) relates to recognition of the deferred income in the income statement for the year (see Note 13).

Time charter income relates to income derived from three vessels, two of which were time chartered to an international transportation provider.

Pool income relates to income substantially derived from two crude oil tankers, FSL Hong Kong and FSL Shanghai and five product tankers, FSL Hamburg, FSL Singapore, FSL Piraeus, FSL Perth and FSL Osaka, deployed on pool arrangements.

Freight income relates to income derived from the three chemical tankers and two product tankers trading in the spot market.

---

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

---

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 16. FINANCE INCOME AND EXPENSES

|  | Group          |                |
|--|----------------|----------------|
|  | 2018           | 2017           |
|  | US\$'000       | US\$'000       |
| <b>Finance income</b>                                |                |                |
| Interest income from cash and cash equivalents       | –              | 54             |
| <b>Finance costs:</b>                                |                |                |
| – bank loans and convertible bonds                   | (7,826)        | (8,127)        |
| – interest to agent                                  | (12)           | –              |
| – amortisation of debt transaction costs             | (533)          | (851)          |
| – commitment and bank agency fees                    | (113)          | (51)           |
| Net foreign exchange loss                            | (14)           | (77)           |
|  | <u>(8,498)</u> | <u>(9,106)</u> |
| Net finance costs recognised in the income statement | <u>(8,498)</u> | <u>(9,052)</u> |

### 17. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

|  | Group      |            |
|--|------------|------------|
|  | 2018       | 2017       |
|  | US\$'000   | US\$'000   |
| Other income <sup>(1)</sup>                      | –          | (400)      |
| Gain on disposal of vessels                      | (886)      | (771)      |
| Audit fees paid/payable to auditors of the Trust | 97         | 99         |
| Non-audit fees paid/payable to:                  |            |            |
| – auditors of the Trust                          | 6          | 5          |
| Professional fees <sup>(2)</sup>                 | 897        | 803        |
| Amortisation of initial direct costs             | <u>217</u> | <u>345</u> |

(1) Other income relates to income received from claims and legal settlements.

(2) Professional fees included cost incurred on the loan restructuring.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**18. INCOME TAX EXPENSE**

|   | Group    |          |
|---|----------|----------|
|   | 2018     | 2017     |
|   | US\$'000 | US\$'000 |
| <b>Current tax expense</b>                              |          |          |
| (Over)/Under provision in prior years                   | (1)      | 1        |
|   |          |          |
|   | Group    |          |
|   | 2018     | 2017     |
|   | US\$'000 | US\$'000 |
| Reconciliation of effective tax rate                    |          |          |
| Loss before income tax                                  | (18,987) | (73,887) |
| Tax calculated using the Singapore tax rate of 17%      | (3,228)  | (12,561) |
| Effect of tax rate in foreign jurisdiction              | (2)      | (2)      |
| Expenses not deductible for tax purposes <sup>(1)</sup> | 4,379    | 15,438   |
| Income not subject to tax                               | 69       | 2        |
| Exempt shipping activities                              | (1,218)  | (2,877)  |
| (Over)/Under provision in prior years                   | (1)      | 1        |
|   | (1)      | 1        |

(1) Includes impairment on vessels.

The lease income derived by the Group's entities from the respective bareboat charters qualifies for tax exemption under the Maritime Sector Incentive ("MSI") scheme and further extension for a period of five years from 8 February 2017 was granted to 12 vessels. The distributions made out of the tax exempt income less allowable expenses will also be exempt from Singapore income tax in the hands of the unitholders. The freight income and pool income derived by the Group's Singapore entities are also exempted from tax under Section 13A of the Singapore Income Tax Act ("SITA"), Chapter 134.

The Group is subject to tax on its non-tax exempt income such as interest income at the prevailing corporate tax rate, after adjusting for allowable expenses.

As at 31 December 2018, the Group has estimated unutilised tax exempt losses and unabsorbed capital allowance of approximately US\$267,000 (2017: US\$267,000) and US\$12,275,000 (2017: US\$11,209,000) that are available for set-off against future taxable profits, subject to the agreement of the tax authorities and compliance with the relevant provisions of the Income Tax Act. The deferred tax benefit arising from these unutilised tax exempt losses and unabsorbed capital allowances has not been recognised in the financial statements in accordance with the Group's accounting policies (Note 2.13).



**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**19. INCOME AVAILABLE FOR DISTRIBUTION**

|   | Group    |          |
|---|----------|----------|
|   | 2018     | 2017     |
|   | US\$'000 | US\$'000 |
| Income available for distribution to unitholders at the beginning of the year | –        | –        |
| Loss for the year   | (18,986) | (73,888) |
| Net adjustments (Note A)  | 18,986   | 73,888   |
| Net distributable amount  | –        | –        |
| Income available for distribution to unitholders at the end of the year       | –        | –        |

**Note A**

Net adjustments comprise:

Non-cash adjustments:

|   |           |          |
|---|-----------|----------|
| – Depreciation expense on vessels <sup>(1)</sup>      | 30,120    | 35,676   |
| – Amortisation of initial direct costs <sup>(2)</sup> | 29        | 57       |
| – Amortisation of deferred income                     | (678)     | (1,445)  |
| – Gain on disposal of vessels                         | (886)     | (771)    |
| – Impairment on vessels                               | 20,648    | 81,129   |
| Total non-cash adjustments                            | 49,233    | 114,646  |
| Repayment of secured bank loans <sup>(3)</sup>        | (141,014) | (66,283) |
| Loan drawdown   | 108,000   | –        |
| Amount utilised in current period                     | 2,767     | 25,525   |
| Net adjustments                                       | 18,986    | 73,888   |

(1) Excluding dry-docking of US\$1,611,000 (2017: US\$1,430,000).

(2) Excluding deferred arrangement fees of US\$188,000 (2017: US\$288,000).

(3) This included the total repayment of secured bank loans amounted to US\$124,781,000 (2017: US\$38,283,000) and prepayment of secured bank loans amounted to US\$16,233,000 (2017: US\$28,000,000) arising from the proceeds from disposal of vessels.

**20. (LOSS) PER UNIT**

|  | Group    |          |
|--|----------|----------|
|  | 2018     | 2017     |
| Basic and diluted (loss) per unit is based on:                 |          |          |
| Loss for the year (US\$'000)                                   | (18,986) | (73,888) |
| Weighted average number of units at the end of the year ('000) | 637,457  | 637,457  |
| Basic (loss) per unit (US cents)                               | (2.98)   | (11.59)  |
| Diluted (loss) per unit (US cents)                             | (2.98)   | (11.59)  |

As the conversion of convertible bonds to units were anti-dilutive, the weighted average number of issued units remained at 637,456,577 for financial year ending 31 December 2018. If the conversion is dilutive, the weighted average number of units in issue would be 716,042,441 taking into account the dilutive effect arising from full conversion of convertible bonds to units.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**21. COMMITMENTS**

**(a) Operating lease commitments**

The non-cancellable operating lease rentals receivable are as follows:

|                          | Group            |                  |
|--------------------------|------------------|------------------|
|                          | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Within one year          | 34,902           | 27,721           |
| Within one to five years | 24,784           | 36,974           |
|                          | 59,686           | 64,695           |

**Operating lease-Bareboat charter**

The rental rates of lease arrangements are fixed over the lease term. The remaining lease period under these non-cancellable leases range from one to five years (2017: one to four years) at the end of the financial year. In two lease agreements (2017: seven lease agreements) held by the Group, the lessees have the option to extend the lease period beyond the base lease period up to two years (2017: three years). The lessees have the option to purchase the related vessels in seven lease agreements (2017: seven lease agreements).

**Operating lease-Time charter**

As at 31 December 2018, there are two time charter lease arrangements (2017: one time charter lease arrangement) with rental rates fixed over a period of one year six months (2017: five months). For both lease agreements held by the Group, the lessees have the option to extend the lease period beyond the base lease period up to one year and the option to purchase the related vessels.

The rentals received from the two lease agreements with rentals based on market rates for the year ended 31 December 2018 amounted to US\$4,100,000 (2017: US\$7,800,000).

**(b) Capital commitments**

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

|  | Group            |                  |
|--|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Shipbuilding contracts (Two LR2 Product Tankers) |                  |                  |
| Within one year                                  | 24,400           | –                |
| Within one to five years                         | 73,200           | –                |
|  | 97,600           | –                |

---

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

---

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

### 22. RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The Trustee-Manager is a subsidiary of a substantial unitholder of the Trust. Other than disclosed elsewhere in the financial statements, significant transactions with related parties are as follows conducted at terms agreed between the parties:

|  | Group    |          |
|--|----------|----------|
|  | 2018     | 2017     |
|  | US\$'000 | US\$'000 |
| Transactions with the Trustee-Manager:                                       |          |          |
| Management fees  | 1,842    | 2,241    |
| Trustee fees   | 61       | 86       |
| Disposal fees  | 100      | 31       |
| Transactions with other related parties:                                     |          |          |
| Directors' fees paid to non-executive directors <sup>(1)</sup>               | 164      | 159      |
| Technical management fees paid to Prime Tanker Management Inc <sup>(2)</sup> | 170      | –        |

(1) Directors' fees paid to ex-Chairman, Tim Reid, and the three Non-Executive and Independent Directors.

(2) Prime Tanker Management Inc. is an affiliate of Prime Shareholdings Inc., who is deemed interested in 157,877,631 of the Trust's issued units as at 31 December 2018.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 23. SEGMENT INFORMATION

The Trustee-Manager has determined the Group as one reportable segment as the Group is only involved in the leasing and chartering of vessels which is carried out in international waters.

Geographical information

Revenues from external customers are attributed to the regions based on the customers' country of origin.

|          | Revenue          |                  |
|----------|------------------|------------------|
|          | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Americas | –                | 2,194            |
| Asia     | 14,210           | 25,553           |
| Europe   | 18,391           | 29,481           |
| Others   | 34,445           | 24,271           |
|          | <u>67,046</u>    | <u>81,499</u>    |

With respect to the presentation of vessels by geographical information, the Group deals with several lessees and the vessels are deployed to various parts of the world at the discretion and direction of these lessees. Accordingly, the Trustee-Manager does not consider it meaningful to allocate vessels to specific geographical locations.

All other non-current assets are attributed to the countries based on the Group's country of domicile.

As at 31 December 2018, the Group has four customers (2017: three customers) each accounted for more than 10% (2017: 10%) of the Group's total revenue.

#### 24. FINANCIAL RISK MANAGEMENT

Overview

Risk management is integral to the whole business of the Group. The Group is exposed to credit, liquidity and market risks. The Group from time to time may use derivative financial instruments to hedge its interest rate and foreign currency risk exposures. The Group does not hold or issue derivative financial instruments for trading purposes.

Management uses natural hedges or closely monitors the Group's business risk exposures in connection with its financial assets and financial liabilities and adopts the appropriate measures including the use of other financial instruments when considered necessary to reduce any potential financial risk exposures or losses.

##### (a) Credit Risk

As part of the Trustee-Manager's due diligence activities and prior to the completion of a lease transaction, each new lessee is analysed individually for creditworthiness. The Trustee-Manager then incorporates the results from its due diligence activities into a risk-adjusted pricing model. This model incorporates a credit loss component which takes into account the likelihood of default, the level of recoverability following a default and the credit exposure at the time of default.

Upon the completion of a lease transaction, the Trustee-Manager conducts on-going credit reviews annually or semi-annually to monitor each lessee's financial performance and compliance with financial covenants (if any). In addition, the payment conduct of a lessee is monitored on a monthly basis.

The Group's credit risk is concentrated in lessees in the shipping industry; and the Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as of 31 December 2018 in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position.

---

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

---

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 24. FINANCIAL RISK MANAGEMENT (CONT'D)

##### (a) Credit Risk (cont'd)

###### Cash and cash equivalents and other financial assets

The Group does not expect to incur material credit losses on its financial assets. Cash and cash equivalents are placed with financial institutions which are regulated. Deposits are held with a major financial institution with external credit rating (as provided by independent rating agency) of A3.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of expected credit loss for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents are assessed to be minimal.

###### Credit risk grading guideline

The Group has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are set out in Note 2.7(a) to the financial statements.

###### Credit risk exposure and significant credit risk concentration

The Group have assessed the financial assets as performing, counterparties having low risk of default and does not have any past due amounts. The basis of recognition of expected credit loss for trade and other receivables are set out in Note 6 to the financial statements. The ageing of trade receivables at the reporting date was:

|              | Group    |          |
|--------------|----------|----------|
|              | 2018     | 2017     |
|              | US\$'000 | US\$'000 |
| Not past due | 4,218    | 3,106    |

##### (b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations.

The contractual undiscounted cash outflows for bank loans and convertible bonds are disclosed in Note 11 and Note 12 to the financial statements. The contractual undiscounted cash outflows for trade and other payables approximate their carrying amounts stated in the Statements of Financial Position due to their short term maturity.

##### (c) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**24. FINANCIAL RISK MANAGEMENT (CONT'D)**

**(d) Interest Rate Risk**

The Trustee-Manager, on behalf of the Trust, reviews any unhedged exposures periodically and will consider hedging them after taking into consideration the prevailing interest rate environment.

Sensitivity analysis

With respect to the variable rate bank loans, an increase of 50 bps in interest rate at the reporting date would increase/(decrease) results and other comprehensive loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| Group and Trust          | Loss for the year and total<br>comprehensive loss |          |
|--------------------------|---|----------|
|                          | 2018  | 2017     |
|                          | US\$'000  | US\$'000 |
| Variable rate bank loans | 539   | 967      |

A decrease of 50 bps in interest rate at the reporting date would have equal but opposite effects of the amounts as shown above, on the basis that all other variables remain constant.

**(e) Foreign Currency Risk**

In respect of other monetary assets and liabilities held in currencies other than the US dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Group's and the Trust's exposures to foreign currencies are as follows:

|                           | 2018             |                                 | 2017             |                                 |
|---------------------------|------------------|---------------------------------|------------------|---------------------------------|
|                           | Euro<br>US\$'000 | Singapore<br>dollar<br>US\$'000 | Euro<br>US\$'000 | Singapore<br>dollar<br>US\$'000 |
| <b>Group</b>              |                  |                                 |                  |                                 |
| Other receivables         | 2                | 47                              | –                | 26                              |
| Cash and cash equivalents | 9                | 121                             | 14               | 137                             |
| Trade and other payables  | –                | (213)                           | (30)             | (157)                           |
|                           |                  |                                 |                  |                                 |
| <b>Trust</b>              |                  |                                 |                  |                                 |
| Other receivables         | –                | 39                              | –                | 26                              |
| Cash and cash equivalents | 2                | 60                              | 4                | 62                              |
| Trade and other payables  | –                | (139)                           | –                | (85)                            |
|                           |                  |                                 |                  |                                 |

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GROUP FOR FY2018**

**NOTES TO THE  
FINANCIAL STATEMENTS**

31 DECEMBER 2018

**24. FINANCIAL RISK MANAGEMENT (CONT'D)**

**(e) Foreign Currency Risk (cont'd)**

**Sensitivity analysis**

A 10% strengthening/weakening of US dollar against the following currencies at the reporting date would increase/(decrease) results and other comprehensive loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| Group            | Loss for the year and other comprehensive loss |                                  |
|------------------|--|----------------------------------|
|                  | Strengthening of US Dollars US\$'000           | Weakening of US Dollars US\$'000 |
| <b>2018</b>      |  |                                  |
| Euro             | 1  | (1)                              |
| Singapore dollar | (5)  | 5                                |
| <b>2017</b>      |  |                                  |
| Euro             | (2)  | 2                                |
| Singapore dollar | 1  | (1)                              |

**(f) Fair Values Measurements**

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Trust.

**Non-derivative financial liabilities**

The carrying amount of the variable rate bank loans, which are repriced on a monthly or quarterly basis at prevailing market interest rates (Level 2), closely reflects the corresponding fair values.

**Other financial assets and liabilities**

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) approximate their fair values due to their short period to maturity and where the effect of discount is immaterial.

**Fair Value Hierarchy**

Fair value measurement disclosure of other assets that are recognised or measured at fair value, are disclosed in Note 4 and Note 8 to the financial statements.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

#### 24. FINANCIAL RISK MANAGEMENT (CONT'D)

##### (g) Capital Management

The Trustee-Manager defines “capital” to include funds raised through the issuance of units, revenue reserves and proceeds raised from debt facilities. The Trustee-Manager’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group and the Trust. The Trustee-Manager monitors capital based on a gearing ratio.

|  | Group            |                  | Trust            |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2018<br>US\$'000 | 2017<br>US\$'000 | 2018<br>US\$'000 | 2017<br>US\$'000 |
| Total Debt <sup>(1)</sup>                | 103,321          | 151,306          | 6,287            | 151,306          |
| Equity                                   | 155,262          | 173,688          | 116,244          | 107,631          |
| Total debt and equity                    | <u>258,583</u>   | <u>324,994</u>   | <u>122,531</u>   | <u>258,937</u>   |
| Total debt against total debt and equity | 0.40             | 0.47             | 0.05             | 0.58             |

(1) Total debt = Bank loans + Convertible bonds

The Trustee-Manager also monitors the distribution per unit (if any), which is the annualised distribution to unitholders divided by total number of units (Note 19).

The cash flows from the operating activities of the Group and the Trust are sufficient to fund the scheduled debt service, payments to the Trustee-Manager and working capital requirements. To the extent that financing for additional vessels as described in Note 21 (b) or otherwise is required, additional equity or debt securities may be issued or additional secured borrowings may be incurred.

There were no changes in the Group’s and the Trust’s approach to capital management during the year. Other than disclosed elsewhere in the financial statements, the Group and the Trust are not subject to externally or regulatory imposed capital requirements.

#### 25. LEGAL CASE

FSL-25 Pte. Ltd. (“FSL-25”) and FSL-26 Pte. Ltd. (“FSL-26”), wholly-owned subsidiaries of the First Ship Lease Trust (“FSLT”) and respective owners of the LR2 Product Tankers “FSL Piraeus” (formerly known as “Torm Margrethe”) and “FSL Perth” (formerly known as “Torm Marie”), had entered into seven year bareboat charter agreements with Torm Singapore Pte. Ltd. (“TORM”) in June 2011.

In mid 2018, TORM redelivered these two vessels back to FSL-25 and FSL-26 in breach of the redelivery provisions of the bareboat charters.

Consequently, in order to protect the interests of the Unitholders, FSL-25 and FSL-26 performed all necessary repairs. Litigation claims against TORM for the costs and losses has commenced.

#### 26. SUBSEQUENT EVENTS

On 7 February 2019, the Group announced a bridging loan agreement of US\$25,000,000 with FSL Holdings Pte. Ltd. to partially finance the new shipbuilding contracts for FSL-28 Inc. and FSL-29 Inc. (Note 21(b)). A first drawdown of US\$10,000,000 was then made to facilitate the first instalment of US\$9,760,000, which was paid to COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd on 13 February 2019.



---

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

---




---

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

---

First Ship Lease Trust (“FSL Trust” or the “Trust”) is a Singapore-based business trust which owns a fleet of vessels across major shipping sub-sectors and is listed on the Singapore Exchange Securities Trading Limited (“SGX”).

As at 31 March 2019, FSL Trust had a high quality, well maintained and diversified portfolio of 19 vessels consisting of three containerships, twelve product tankers, two chemical tankers and two crude oil tankers. 10 vessels are employed on long-term bareboat charters as at 31 March 2019 and have a dollar-weighted average remaining lease period of approximately two years (excluding extension periods and early buy-out options). The remaining nine vessels were employed on time charter arrangements and in pools. The combined portfolio of 19 vessels had a dollar-weighted average age of approximately twelve years.

**Summary of FSL Trust Consolidated Results**

|                                   | 1Q 2019  | 1Q 2018  | Inc/<br>(Dec) |
|-----------------------------------|----------|----------|---------------|
|                                   | US\$'000 | US\$'000 | %             |
| Revenue                           | 19,090   | 16,856   | 13.3          |
| Profit for the quarter            | 3,009    | 917      | 228.1         |
| Income available for distribution | 3,254    | 257      | N.M.          |
| <br>                              |          |          |               |
| Average number of vessels         | 19.0     | 19.3     | (1.6)         |

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

**1(a)(i) Consolidated Income Statements**

|  |      | Group        |              |               |
|--|------|--------------|--------------|---------------|
|  | Note | 1Q 2019      | 1Q 2018      | Inc/<br>(Dec) |
|  |      | US\$'000     | US\$'000     | %             |
| <b>Revenue</b>                           |      | 19,090       | 16,856       | 13.3          |
| Depreciation expense on vessels          |      | (6,304)      | (7,933)      | (20.5)        |
| Voyage expenses                          |      | (517)        | (1,029)      | (49.8)        |
| Vessel operating expenses                |      | (5,412)      | (4,432)      | 22.1          |
| Management fees                          |      | (545)        | (464)        | 17.5          |
| Trustee fees                             |      | (13)         | (17)         | (23.5)        |
| Other Trust expenses                     |      | (1,131)      | (702)        | 61.1          |
| <b>Results from operating activities</b> |      | <b>5,168</b> | <b>2,279</b> | <b>126.8</b>  |
| Gain on disposal of vessels              | (a)  | -            | 886          | (100.0)       |
| Finance expenses                         |      | (2,159)      | (2,246)      | (3.9)         |
| <b>Profit before tax</b>                 |      | <b>3,009</b> | <b>919</b>   | <b>227.4</b>  |
| Income tax expense                       |      | -            | (2)          | (100.0)       |
| <b>Profit for the quarter</b>            |      | <b>3,009</b> | <b>917</b>   | <b>228.1</b>  |

Note:

(a) This relates to the disposal of a containership and a chemical tanker in January 2018.

**1(a)(ii) Statements of Comprehensive Income**

|   |  | Group        |            |
|---|--|--------------|------------|
|   |  | 1Q 2019      | 1Q 2018    |
|   |  | US\$'000     | US\$'000   |
| <b>Profit for the quarter</b>                 |  | <b>3,009</b> | <b>917</b> |
| <b>Total comprehensive income, net of tax</b> |  | <b>3,009</b> | <b>917</b> |

## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

### FIRST SHIP LEASE TRUST UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019

#### 1(a)(iii) Distribution Statements

|   | Note | Group    |          |
|---|------|----------|----------|
|   |      | 1Q 2019  | 1Q 2018  |
|   |      | US\$'000 | US\$'000 |
| <b>Profit for the quarter</b>                           |      | 3,009    | 917      |
| Add: Non-cash adjustments                               | (a)  | 5,985    | 6,290    |
| <b>Net cash generated from operations</b>               |      | 8,994    | 7,207    |
| Less: Repayment of secured bank loans                   |      | (5,740)  | (6,250)  |
| Repayment of secured bank loans                         | (b)  | -        | (700)    |
| <b>Income available for distribution</b>                |      | 3,254    | 257      |
| Add: Utilisation of cash retained from previous periods |      | -        | -        |
| Less: Cash retained in the current period               |      | (3,254)  | (257)    |
| <b>Net distributable amount</b>                         | (c)  | -        | -        |
| Amount available for distribution                       |      | -        | -        |
| Comprising: (i) Tax-exempt distribution                 |      | -        | -        |
| (ii) Tax-exempt (one-tier) distribution                 |      | -        | -        |
| <b>Amount to be distributed</b>                         |      | -        | -        |
| Units at end of quarter ('000)                          |      | 637,457  | 637,457  |
| <b>Distribution per unit (US Cents)</b>                 |      | -        | -        |

#### Notes:

(a) Non-cash adjustments

|   | Group    |          |
|---|----------|----------|
|   | 1Q 2019  | 1Q 2018  |
|   | US\$'000 | US\$'000 |
| Depreciation expense on vessels <sup>1</sup>      | 5,978    | 7,530    |
| Gain on disposal of vessels                       | -        | (886)    |
| Amortisation of deferred income                   | -        | (361)    |
| Amortisation of initial direct costs <sup>2</sup> | 7        | 7        |
|   | 5,985    | 6,290    |

(b) Prepayments of US\$0.7 million was made to reduce the outstanding loan balance in 1Q 2018. In 1Q 2018, US\$19.4 million of the cash proceeds from the sale of a containership and a chemical tanker were also used to prepay the secured bank loans. However, as the US\$19.4 million was generated from the sale of the vessels instead of operations, it has not been included in this statement.

(c) No distribution has been recommended by the Board for the first quarter of 2019.

<sup>1</sup> Excluding dry-docking costs.

<sup>2</sup> Excluding deferred arrangement fees.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

**1(b)(i) Statements of Financial Position**

|      |  | 31 Mar 2019    |                | 31 Dec 2018    |                |
|------|--|----------------|----------------|----------------|----------------|
|      |  | Group          | Trust          | Group          | Trust          |
| Note |  | US\$'000       | US\$'000       | US\$'000       | US\$'000       |
|      | <b>Non-current assets</b>                                  |                |                |                |                |
|      | Vessels  | 229,845        | -              | 225,538        | -              |
|      | Subsidiaries   | -              | 45,312         | -              | 45,312         |
|      |  | 229,845        | 45,312         | 225,538        | 45,312         |
|      | <b>Current assets</b>                                      |                |                |                |                |
|      | Inventories  | 227            | -              | -              | -              |
|      | Trade and other receivables                                | 12,550         | 75,294         | 12,760         | 76,586         |
|      | Cash and cash equivalents                                  | 15,599         | 1,855          | 13,881         | 1,331          |
|      | Non-current asset classified<br>as held-for-sale           | 10,989         | -              | 10,989         | -              |
|      |  | 39,365         | 77,149         | 37,630         | 77,917         |
|      | <b>Total assets</b>  | <b>269,210</b> | <b>122,461</b> | <b>263,168</b> | <b>123,229</b> |
|      | <b>Equity attributable to<br/>unitholders of FSL Trust</b> |                |                |                |                |
|      | Units in issue   | 523,284        | 523,284        | 523,284        | 523,284        |
|      | Reserves   | (365,013)      | (407,585)      | (368,022)      | (407,040)      |
|      | <b>Total equity</b>  | <b>158,271</b> | <b>115,699</b> | <b>155,262</b> | <b>116,244</b> |
|      | <b>Non-current liabilities</b>                             |                |                |                |                |
|      | Secured bank loans   | 66,911         | -              | 73,765         | -              |
|      | Convertible bonds  | 6,398          | 6,398          | 6,287          | 6,287          |
|      |  | 73,309         | 6,398          | 80,052         | 6,287          |
|      | <b>Current liabilities</b>                                 |                |                |                |                |
|      | Trade and other payables                                   | 2,943          | 364            | 2,897          | 698            |
|      | Lease income received in<br>advance                        | -              | -              | 1,688          | -              |
|      | Secured bank loans   | 24,687         | -              | 23,269         | -              |
|      | Loan from Sponsor  | 10,000         | -              | -              | -              |
|      |  | 37,630         | 364            | 27,854         | 698            |
|      | <b>Total liabilities</b>                                   | <b>110,939</b> | <b>6,762</b>   | <b>107,906</b> | <b>6,985</b>   |
|      | <b>Total equity and liabilities</b>                        | <b>269,210</b> | <b>122,461</b> | <b>263,168</b> | <b>123,229</b> |

## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

### FIRST SHIP LEASE TRUST UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019

#### 1(b)(i) Statements of Financial Position (cont'd)

Note:

- (a) Cash and cash equivalents comprise:

|   | 31 Mar 2019 |          | 31 Dec 2018 |          |
|---|-------------|----------|-------------|----------|
|   | Group       | Trust    | Group       | Trust    |
|   | US\$'000    | US\$'000 | US\$'000    | US\$'000 |
| Cash at Bank  | 15,599      | 1,855    | 13,881      | 1,331    |
| Less: Restricted cash <sup>^</sup>                                    | (500)       | -        | (500)       | -        |
| Cash and cash equivalents in the Consolidated Statement of Cash Flows | 15,099      | 1,855    | 13,381      | 1,331    |

<sup>^</sup> The restricted cash is the minimum cash balance maintained with the lender in accordance to the loan facility agreement.

- (b) Aggregate Amount of the Group's Borrowings and Debt Securities

|  | 31 Mar 2019 | 31 Dec 2018 |
|--|-------------|-------------|
|  | US\$'000    | US\$'000    |
| <b>Secured bank loans</b>                |             |             |
| <u>Repayable within one year</u>         |             |             |
| Secured bank loans                       | 25,557      | 24,258      |
| Less: Unamortised debt transaction costs | (870)       | (989)       |
|  | 24,687      | 23,269      |
| <u>Repayable after one year</u>          |             |             |
| Secured bank loans                       | 67,611      | 74,650      |
| Less: Unamortised debt transaction costs | (700)       | (885)       |
|  | 66,911      | 73,765      |

In FY 2018, the Trustee-Manager, on behalf of FSL Trust, has through its subsidiaries secured the following term loan facilities:

- (a) US\$50 million facility agreement with Hellenic Bank Public Company Limited ("Hellenic");
- (b) US\$40 million facility agreement with Chailease International Financial Services Co., Ltd. ("Chailease"); and
- (c) US\$18 million facility agreement with Amsterdam Trade Bank N.V. ("ATB").

The weighted average interest margin over LIBOR of the three loans is 4.012%.

The aggregate outstanding face value of the loan facilities was US\$93.2 million as at 31 March 2019.

---

## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

---

---

### FIRST SHIP LEASE TRUST UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019

---

(b) Aggregate Amount of the Group's Borrowings and Debt Securities (cont'd)

As at 31 March 2019, the Group is in compliance with the terms of the loan agreements.

The term loan facilities are secured on the following:

- (i) a first priority mortgage over the Group's vessels;
- (ii) a first priority assignment of the Group's rights, title, interest in the insurances to and for each vessel, including insurance for hull and machinery, protection and indemnity and war risks;
- (iii) a first priority assignment of the Group's rights, title and interest in and to the charter agreements and the charter income of each vessel; and
- (iv) pledge of the shares of all the vessel-owning subsidiaries.

(c) Convertible Bonds - Group and Trust

Pursuant to the completion of the Bond Issue on 21 May 2018, the Trust raised net proceeds of US\$7.03 million (after deducting bond fees of US\$0.22 million) which were applied towards the repayment of the previous Syndicated Loan in 2Q 2018.

The Statements of Financial Position figure of US\$6.40 million is after adjusting for legal fees of US\$0.45 million, an equity component of US\$0.56 million and interest component of US\$0.38 million.

(d) Loan from Sponsor

On 7 February 2019, the Group announced a bridging loan agreement of US\$25.00 million with FSL Holdings Pte. Ltd., the Sponsor, to partially finance the new shipbuilding contracts for FSL-28, Inc. and FSL-29, Inc.. A first drawdown of US\$10.00 million was then made to facilitate the first instalment of US\$9.76 million, which was paid to COSCO Shipping Heavy Industry (Yangzhou) Co., Ltd on 13 February 2019.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

**1(c) Consolidated Statement of Cash Flows**

|  | Group           |                 |
|--|-----------------|-----------------|
|  | 1Q 2019         | 1Q 2018         |
|  | US\$'000        | US\$'000        |
| <b>Operating activities:</b>                                     |                 |                 |
| Profit before tax  | 3,009           | 919             |
| Adjustments for:   |                 |                 |
| Depreciation expense on vessels                                  | 6,304           | 7,933           |
| Amortisation of debt transaction costs                           | 304             | -               |
| Amortisation of initial direct costs                             | 54              | 54              |
| Amortisation of deferred income                                  | -               | (361)           |
| Interest expense   | 1,849           | 2,193           |
| Gain on disposal of vessels                                      | -               | (886)           |
|  | 11,520          | 10,573          |
| Changes in working capital:                                      |                 |                 |
| Trade and other receivables                                      | 210             | 1,964           |
| Inventories  | (227)           | -               |
| Trade and other payables   | 174             | 71              |
| Lease income received in advance                                 | (1,688)         | (36)            |
| <b>Cash generated from operating activities</b>                  | <b>9,989</b>    | <b>11,851</b>   |
| Income tax paid  | -               | (2)             |
| <b>Cash flows generated from operating activities</b>            | <b>9,989</b>    | <b>11,849</b>   |
| <b>Investing activities:</b>                                     |                 |                 |
| Vessels initial direct costs                                     | (102)           | -               |
| Costs incurred for new shipbuilding contracts                    | (10,416)        | -               |
| Costs incurred for vessel equipment                              | (147)           | -               |
| Net proceed on disposal of vessels                               | -               | 19,146          |
| Costs incurred for dry-docking                                   | -               | (6)             |
| <b>Cash flows (used in)/ generated from investing activities</b> | <b>(10,665)</b> | <b>19,140</b>   |
| <b>Financing activities:</b>                                     |                 |                 |
| Loan from Sponsor  | 10,000          | -               |
| Repayment of secured bank loans                                  | (5,740)         | (6,250)         |
| Prepayment of secured bank loans                                 | -               | (20,084)        |
| Interest paid  | (1,866)         | (2,225)         |
| <b>Cash flows generated from/ (used in) financing activities</b> | <b>2,394</b>    | <b>(28,559)</b> |
| Net increase in cash and cash equivalents                        | 1,718           | 2,430           |
| Cash and cash equivalents at beginning of period                 | 13,381          | 13,201          |
| Cash and cash equivalents at end of period                       | 15,099          | 15,631          |
| <b>Comprising:-</b>  |                 |                 |
| Cash at Bank   | 15,099          | 15,631          |

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

**1(d)(i) Statements of Changes in Unitholders' Funds**

|  | Units in Issue | Option premium on convertible bonds | Foreign Currency Translation Reserve | Accumulated Profit/ (Losses) | Total Equity |
|--|----------------|-------------------------------------|--------------------------------------|------------------------------|--------------|
|  | US\$'000       | US\$'000                            | US\$'000                             | US\$'000                     | US\$'000     |
| <b>2019 Group</b>                          |                |                                     |                                      |                              |              |
| At 1 January 2019                          | 523,284        | 560                                 | (6,725)                              | (361,857)                    | 155,262      |
| Total comprehensive income for the quarter | -              | -                                   | -                                    | 3,009                        | 3,009        |
| At 31 March 2019                           | 523,284        | 560                                 | (6,725)                              | (358,848)                    | 158,271      |

|  | Units in Issue | Hedging Reserve | Foreign Currency Translation Reserve | Accumulated Profit/ (Losses) | Total Equity |
|--|----------------|-----------------|--------------------------------------|------------------------------|--------------|
|  | US\$'000       | US\$'000        | US\$'000                             | US\$'000                     | US\$'000     |
| <b>2018 Group</b>                          |                |                 |                                      |                              |              |
| At 1 January 2018                          | 523,284        | -               | (6,725)                              | (342,871)                    | 173,688      |
| Total comprehensive income for the quarter | -              | -               | -                                    | 917                          | 917          |
| At 31 March 2018                           | 523,284        | -               | (6,725)                              | (341,954)                    | 174,605      |

|  | Units in Issue | Option premium on convertible bonds | Accumulated Losses | Total Equity |
|--|----------------|-------------------------------------|--------------------|--------------|
|  | US\$'000       | US\$'000                            | US\$'000           | US\$'000     |
| <b>2019 Trust</b>                        |                |                                     |                    |              |
| At 1 January 2019                        | 523,284        | 560                                 | (407,600)          | 116,244      |
| Total comprehensive loss for the quarter | -              | -                                   | (545)              | (545)        |
| At 31 March 2019                         | 523,284        | 560                                 | (408,145)          | 115,699      |

|  | Units in Issue | Hedging Reserve | Accumulated Losses | Total Equity |
|--|----------------|-----------------|--------------------|--------------|
|  | US\$'000       | US\$'000        | US\$'000           | US\$'000     |
| <b>2018 Trust</b>                        |                |                 |                    |              |
| At 1 January 2018                        | 523,284        | -               | (415,653)          | 107,631      |
| Total comprehensive loss for the quarter | -              | -               | (2,756)            | (2,756)      |
| At 31 March 2018                         | 523,284        | -               | (418,409)          | 104,875      |



## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

---

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

---

**1(d)(ii)(iii) Details of any changes in Units**

|                                | Note | 1Q 2019<br>Units | FY 2018<br>Units |
|--------------------------------|------|------------------|------------------|
| At the beginning of the period |      | 637,456,577      | 637,456,577      |
| Units issued during the period |      | -                | -                |
| At the end of the period       |      | 637,456,577      | 637,456,577      |

There are no treasury shares and no subsidiary holdings as at 31 March 2019 and as at 31 March 2018.

**Preferential Offering**

At the Extraordinary General Meeting of the Trust held on 22 April 2019, Unitholders voted in favour of the Trust's proposed preferential offering.

**Convertible Bonds**

On 21 May 2018, the Trust issued US\$7,250,000 in principal amount of Convertible Bonds due in 2020 which are convertible by holders into units of the Trust at any time during the Term at conversion price of US\$0.05687 per unit (subject to whether an Adjustment Event has occurred). The maximum number of New Units that may be issued by the Trust to the Subscriber will be 127,483,735 New Units. There has been no conversion since the date of the issue.

**1(d)(iv) Sales, transfers, cancellation and/or use of treasury units**

Nil.

**1(d)(v) Sales, transfers, cancellation and/or use of subsidiary holdings**

Nil.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed by the auditors.

**3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied**

FSL Trust has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2018, except for the adoption of the new or revised International Financial Reporting Standards ("IFRS") applicable for the financial period beginning 1 January 2019.

## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

### FIRST SHIP LEASE TRUST UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

FSL Trust has adopted all the new or revised IFRS that are effective for the financial period beginning 1 January 2019 and are relevant to its operations. The adoption of these IFRS does not have significant financial impact on the Group's financial position or results.

6. Earnings per unit ("EPU") and Distribution per unit ("DPU") for the current financial period reported on and the corresponding period of the immediately preceding financial year

|  | Group   |         |
|--|---------|---------|
|  | 1Q 2019 | 1Q 2018 |
| Basic and diluted earnings/ (loss) per unit is based on:   |         |         |
| Weighted average number of issued units (basic) ('000)   | 637,457 | 637,457 |
| Basic earnings per unit based on weighted average number of units in issue (US Cents)                  | 0.47    | 0.14    |
| Weighted average number of issued units (diluted) ('000) <sup>(a)</sup>                                | 764,940 | 637,457 |
| Diluted earnings per unit based on weighted average number of units in issue (US Cents) <sup>(b)</sup> | 0.42    | 0.14    |
| Number of issued units at end of quarter ('000)  | 637,457 | 637,457 |
| Distribution per unit (US Cents)   | -       | -       |

Note:

- (a) For the purpose of calculating the diluted EPU, the weighted average number of units in issue is adjusted to take into account the dilutive effect arising from full conversion of convertible bonds to units.
- (b) For the purpose of calculating the diluted EPU, interest expenses on the convertible bond of US\$0.24 million was added back to the net profit.

7. Net Asset Value ("NAV") per unit based on units at the end of the current financial period reported on and immediately preceding financial year

|                                 | Note | 31 Mar 2019 |       | 31 Dec 2018 |       |
|---------------------------------|------|-------------|-------|-------------|-------|
|                                 |      | Group       | Trust | Group       | Trust |
| Net asset value per unit (US\$) | (a)  | 0.25        | 0.18  | 0.24        | 0.18  |

Note:

- (a) Net asset value (based on book value) per unit was calculated based on the applicable number of units issued as at the end of the respective period/year.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

**8. Review of Performance**

The breakdown of the revenue (on a bareboat charter/bareboat charter equivalent (“BBCE”) basis) by the respective charter types and the net result from operations is as follows:

1Q 2019 vs 1Q 2018

|  | Group        |              |              |
|--|--------------|--------------|--------------|
|  | 1Q 2019      | 1Q 2018      | Inc/(Dec)    |
|  | US\$'000     | US\$'000     | %            |
| Rentals from vessels on bareboat charter     | 6,523        | 8,901        | (26.7)       |
| BBCE revenue of vessels on:-                 |              |              |              |
| -Time charter                                | 942          | 504          | 86.9         |
| -Pool  | 5,447        | 1,897        | 187.1        |
| -Spot  | (77)         | (310)        | (75.2)       |
| Total bareboat charter/BBCE revenue          | 12,835       | 10,992       | 16.8         |
| Less:  |              |              |              |
| Depreciation expense on vessels <sup>1</sup> | (5,978)      | (7,530)      | (20.6)       |
| Management fees                              | (545)        | (464)        | 17.5         |
| Trustee fees                                 | (13)         | (17)         | (23.5)       |
| Other Trust expenses <sup>2</sup>            | (1,131)      | (702)        | 61.1         |
| Other operating expenses                     | (7,667)      | (8,713)      | (12.0)       |
| <b>Results from operating activities</b>     | <b>5,168</b> | <b>2,279</b> | <b>126.8</b> |
| Gain on disposal of vessels                  | -            | 886          | (100.0)      |
| Finance expenses                             | (2,159)      | (2,246)      | (3.9)        |
| <b>Profit before tax</b>                     | <b>3,009</b> | <b>919</b>   | <b>227.4</b> |
| Income tax expense                           | -            | (2)          | (100.0)      |
| <b>Profit for the quarter</b>                | <b>3,009</b> | <b>917</b>   | <b>228.1</b> |

a. Bareboat charter/BBCE revenue

Bareboat charter

Bareboat charter rentals decreased by 26.7% (US\$2.4 million), mainly attributable to:

- i) *TORM Margrethe* (renamed *FSL Piraeus*) bareboat lease expired in June 2018 (US\$1.2 million); and
- ii) *TORM Marie* (renamed *FSL Perth*) bareboat lease expired in July 2018 (US\$1.2 million).

<sup>1</sup> For this analysis, depreciation expense on dry-docking costs is not included in depreciation expense on vessels, but is included in vessel operating expenses in deriving BBCE revenue.

<sup>2</sup> Included in the other Trust expenses are vessel inspection fees, valuation fees, insurance, directors fees, professional fees, take over costs, printing, investor relations and others.

---

## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

---

---

### FIRST SHIP LEASE TRUST UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019

---

#### 8. Review of Performance (cont'd)

##### Time charter

##### i) Chemical tankers

The two chemical tankers, *FSL New York* and *FSL London* have been employed on time charter from 12 June 2018 and 19 June 2018 respectively after exiting the spot market. These vessels generated BBCE revenue of US\$0.9 million in the quarter under review.

##### Pool/Revenue Sharing Agreement ('RSA')

##### i) Product tankers

*FSL Osaka* entered an MR pool managed by Hafnia Management ('Hafnia Pool') since November 2015. The vessel generated net pool revenue of US\$1.5 million. After deducting vessel operating expenses, the vessel earned BBCE revenue of US\$0.8 million in the quarter under review.

*FSL Hamburg* and *FSL Singapore* entered an MR pool managed by Hafnia Management ('Hafnia Pool') on 7 October 2017 and 23 April 2018 respectively. These vessels together generated net pool revenue of US\$2.2 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$1.1 million in the quarter under review.

*FSL Piraeus* and *FSL Perth* entered Sigma Tanker Pool managed by Heidmar Inc. ('Sigma Tanker Pool') on 21 August 2018 and 25 August 2018 respectively. These vessels together generated net pool revenue of US\$3.4 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$2.1 million in the quarter under review.

##### ii) Crude oil tankers

*FSL Hong Kong* and *FSL Shanghai* are employed on a RSA (Revenue Sharing Agreement) from 14 April 2017 and 12 September 2017 respectively. These vessels together generated net pool revenue of US\$2.7 million. After deducting vessel operating expenses, the vessels earned BBCE revenue of US\$1.4 million in the quarter under review.

##### b. Other operating expenses

Depreciation expense on vessels decreased by 20.6% (US\$1.6 million) due to lower depreciation arising from impairment on vessels taken last year.

---

## APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019

---

---

### FIRST SHIP LEASE TRUST UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019

---

#### 8. Review of Performance (cont'd)

##### c. Results from operating activities

On an overall basis, FSL Trust generated an operating profit of US\$5.2 million in this quarter, compared to US\$2.3 million over the same period last year.

##### d. Finance expenses

Finance expenses in 1Q 2019, including an exchange loss of US\$6,000 (1Q 2018: US\$21,000), decreased by 3.9% (US\$0.1 million) mainly due to the lower outstanding indebtedness, offset with bond interest and amortisation of debt transaction costs.

For 1Q 2019, FSL Trust achieved net profits of US\$3.0 million.

#### 9. Variance from Prospect Statement

Not applicable.

#### 10. Outlook and Prospects

Sectors of the market in which the Trust operates are expected to show positive signs during 2H 2019.

#### 11. Distribution

##### (a) Current financial period

Any distributions declared for the : No  
current financial period

##### (b) Corresponding Period of the Immediate Preceding Financial Period

Any distributions declared for the : No  
previous corresponding period

#### 12. If no distribution has been declared/recommended, a statement to that effect and the reason(s) for the decision

No distribution has been declared this quarter. The Board of Directors will recommence distributions when distributions are sustainable, after providing for fleet renewal.

#### 13. If the Group has obtained a general mandate from unitholders for Interested Party Transaction ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

FSL Trust does not have any unitholders' mandate for IPT.

---

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF  
THE GROUP FOR THE THREE (3)-MONTH PERIOD ENDED 31 MARCH 2019**

---

---

**FIRST SHIP LEASE TRUST  
UNAUDITED FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT  
FOR THE FIRST QUARTER AND THREE MONTH PERIOD ENDED 31 MARCH 2019**

---

**14. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the board of directors which may render the interim financial results of the Group for the quarter ended 31 March 2019 to be false or misleading in any material aspect.

**15. The Trustee-Manager, FSL Trust Management Pte. Ltd., has procured undertakings required under Rule 720(1), from all its directors and executive officers.**

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies, changes in operating expenses, Trust expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD  
FSL TRUST MANAGEMENT PTE. LTD.  
(COMPANY REGISTRATION NO. 200702265R)  
AS TRUSTEE-MANAGER OF FIRST SHIP LEASE TRUST

Alan Mitchell  
Chief Financial Officer  
07 May 2019