

1. Hatton was issued a show cause notice dated 26 January 2017 inviting him to provide his explanation as to certain matters involving potential misconduct and breach of duties. The show cause notice followed an earlier show cause letter dated 18 January 2017 and Hatton's response to it. The matters involving potential misconduct and breach of duties included:
 - (a) Disclosure of confidential information to third parties which was not disclosed to or authorised by the Board.
 - (b) Setting up and providing services for remuneration through Lionwharf Pte. Ltd. ("**Lionwharf**") in which he was the majority shareholder, in breach of express and implied duties, without disclosure to or authorisation by the Board.
 - (c) Failing to give correct information and giving wrong information to the Board, when the Board inquired into various matters.
2. Prior to the show cause notice, the Board noted that Hatton had increasingly displayed antagonistic behaviour towards board members who he considered were not aligned to him; in particular, Hatton displayed resistance to the appointment of a Chief Financial Officer ("**CFO**") and Deputy Chief Executive Officer ("**Deputy CEO**").
3. Hatton's response to the show cause notice was due at 4 p.m. on 2 February 2017. Hatton tendered his resignation and his response to the show cause notice shortly before 4 p.m.
4. In his resignation and response Hatton made various points, summarised as follows:
 - (a) That he was excluded from the decision making process in the appointment of the CFO and Deputy CEO.
 - (b) That independent directors were all appointed by FSL Asset Management Pte. Ltd.
 - (c) That it was unusual that the CFO reported to the Chief Executive Officer ("**CEO**"), Chairman, Board of Directors and the Chairman of the Audit and Risk Committee.
 - (d) That the Board's priority was to give it more control over executive functions, rather than focus on refinancing plans, and was rejecting viable refinancing plans.
 - (e) That he had taken certain steps, having been assured by the ultimate shareholder of the Sponsor that the Board would be changed; but the changes had yet to be implemented.
5. The response to the show cause notice included the point in his resignation summarised under 4(e) above. In addition Hatton gave his reasons as to why he did not consider his actions as amounting to misconduct or breach of duties.

The Board's response to the above matters is:

- (a) Hatton was involved in the appointment of the CFO and Deputy CEO. To the extent that he was not involved in certain deliberations, the two appointments, inter-alia, were made arising from concerns about corporate governance and Hatton's actions.
 - (b) Appointment of independent directors was made in accordance with the Constitution.
 - (c) It was not unusual for a CFO to report to the Chairman, Audit and Risk Committee. The reason why the CFO additionally reported to the Chairman of the Board was because of concerns over Hatton's conduct. It was a Board decision.
 - (d) The Board was highly dissatisfied with Hatton's performance in relation to refinancing; and documents discovered show that he was acting, at the material time, in furtherance of his own agenda and in disregard of his duties as CEO and director and his obligations to unitholders.
 - (e) The Board was not notified and is not aware of the alleged assurance by the ultimate shareholder of the Sponsor. The Board is acutely aware of its obligations to all unitholders.
6. After full consideration of Hatton's response, the Board formed the following conclusions:
 - (a) That Hatton's establishment of and involvement as majority shareholder in the business of Lionwharf was entirely unacceptable, especially as its business was in the shipping industry. The Board was and is deeply disturbed by the conflict of interest and blatant breach of duties.

- (b) That Hatton's disclosures of confidential information were gross breaches of express and implied duties of fidelity and loyalty.
 - (c) That Hatton had not been forthright and honest in his responses to the Board.
7. Subsequent to the issuance of the show cause notice, additional documents were discovered, despite the fact that computer files from Hatton's company-owned computer had been deleted. These documents show that Hatton had been acting in furtherance of his own agenda, and in disregard of the Board's views and his obligations to the unitholders and as CEO and director.
 8. Accordingly the Board concluded that Hatton's conduct represented serious misconduct and sufficient grounds to cease his appointment as director and CEO.