

FSL TRUST MANAGEMENT PTE. LTD.
(As Trustee-Manager of First Ship Lease Trust)
(Company Registration No. 200702265R)
(Incorporated in Singapore)

LETTER OF INTENT FOR THE CONSTRUCTION OF TWO LR2 PRODUCT TANKERS

1. THE NEWBUILDING ACQUISITION

FSL Trust Management Pte. Ltd., in its capacity as trustee-manager of First Ship Lease Trust (“**FSLT**”, and as trustee-manager of FSLT, the “**Trustee-Manager**”) refers to its announcement dated 26 November 2018 (the “**Preferential Offering Announcement**”) in relation to the proposed *pro rata*, non-renounceable and non-underwritten preferential offering to raise funds for, amongst others, fleet renewal to be carried out through the new and/or more recent build vessels.

Further to the Preferential Offering Announcement, FSLT wishes to announce that it has entered into a Letter of Intent (“**LOI**”) with Cosco Shipping Heavy Industry (Yangzhou) Co., Ltd., a State-owned shipyard based in the People’s Republic of China (the “**Shipyard**”), pursuant to which the Shipyard will construct, sell and deliver two (2) scrubber fitted Tier III LR2 product tankers (the “**NewVessels**”) for an indicative aggregate consideration of US\$97,200,000 (the “**Newbuilding Acquisition**”). FSL-28, Inc. and FSL-29, Inc. (together, the “**Purchasers**”), each a wholly-owned subsidiary of FSLT, will be nominated to hold the New Vessels.

The LOI is subject to, amongst others, parties entering into definitive shipbuilding contracts in relation to the Newbuilding Acquisition (the “**Definitive Agreements**”) and is valid until 20 December 2018. Unitholders should note that there is no certainty or assurance that the Definitive Agreements will be entered into and/or that the Newbuilding Acquisition will materialise or that the indicative aggregate consideration will be maintained.

2. THE NEW VESSELS

The New Vessels comprise two (2) 114,000 dwt scrubber fitted Tier III LR2 product tankers and are expected to be delivered to the Purchasers in November 2020 and January 2021 respectively.

3. RATIONALE FOR THE NEWBUILDING ACQUISITION

The Newbuilding Acquisition is being undertaken as part of the renewal of FSLT’s aging fleet. The Newbuilding Acquisition, if completed, is expected to reduce the age profile of FSLT’s fleet significantly and enhance its commercial attractiveness and marketability.

The Newbuilding Acquisition, if completed, is expected to have a positive financial impact on FSLT. The New Vessels will be constructed according to newer designs and utilize new technologies. As the New Vessels will be more affordable to operate and able to carry a variety of cargoes, it is expected that they will be more efficient and easier to charter to counterparties compared to the vessels in FSLT’s current fleet. The New Vessels will also be more attractive for long-term leases to major petroleum companies, therefore allowing FSLT to potentially secure better returns. This is expected to be accretive to FSLT’s cash flow and

earnings.

4. WAIVER APPLICATION AND OUTCOME

On 16 October 2018, FSLT made an application to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for a waiver (“**Waiver**”) from complying with Rules 1015 and 1014(2) of the Listing Manual of the SGX-ST (the “**Listing Manual**”) in respect of the Newbuilding Acquisition (the “**Waiver Application**”), including the requirement for FSLT to obtain unitholders’ approval for the Newbuilding Acquisition. On 18 October 2018, the SGX-ST informed FSLT that based on the submissions and representations by FSLT in the Waiver Application, it has no objection to the Waiver Application for a waiver of unitholders’ approval for the Newbuilding Acquisition.

FSLT will make further announcements in respect of the Waiver Application, which will include all disclosures required to be made under the terms of the Waiver and as required under the Listing Manual, upon the Definitive Agreements being entered into by the parties.

5. INTERESTS OF DIRECTORS AND CONTROLLING UNITHOLDERS

To the best of the knowledge of the Trustee-Manager, none of the Directors or controlling unitholders of FSLT have any direct or indirect interest in the Newbuilding Acquisition, save for their unitholdings in FSLT.

6. FURTHER ANNOUNCEMENTS

The Trustee-Manager will make further announcements, in compliance with the requirements of the Listing Manual of the SGX-ST, upon the execution of the Definitive Agreements (if any) and/or when there are material developments in respect of the Newbuilding Acquisition.

7. CAUTIONARY STATEMENT

Unitholders are advised to exercise caution in trading their units as there is no certainty or assurance as at the date of this announcement that the Definitive Agreements will be entered into, the terms and conditions of the Newbuilding Acquisition will not differ from that set out in the LOI, or the Newbuilding Acquisition will be undertaken or completed at all. The Trustee-Manager will make the necessary announcements as and when there are further developments on the Newbuilding Acquisition.

8. CLARIFICATION TO THE ANNOUNCEMENT MADE ON 26 NOVEMBER 2018 TITLED “RIGHTS: VOLUNTARY”

The Trustee-Manager refers to the announcement titled “*Rights: Voluntary*” made on 26 November 2018 at 11.06:41 p.m. and wishes to clarify that there is a typographical error in such announcement and that the Issue Price (Per Rights) should be S\$0.045 (as correctly stated in the Preferential Offering Announcement).

By Order of the Board
FSL Trust Management Pte. Ltd.
(Company registration no. 200702265R)
as Trustee-Manager of First Ship Lease Trust

Mr. Efstathios Topouzoglou
Non-Independent Non-Executive Chairman
6 December 2018