

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

**LETTER FROM SGX REGCO AND THE PROPOSED RATIFICATION
OF THE DISPOSAL OF THE TWO LR2 PRODUCT TANKER NEWBUILDINGS**

The Board of Directors (the “**Board**”) of FSL Trust Management Pte. Ltd., as trustee-manager (the “**Trustee-Manager**”) of First Ship Lease Trust (“**FSL Trust**” or the “**Trust**”) refers to its announcements dated 17 February 2021, 19 February 2021, 1 March 2021 and 3 March 2021 in relation to the sale of two LR2 product tanker newbuildings, FSL Suez (Hull No. N944) and FSL Fos (Hull No. N945) (the “**Newbuildings**”), to guaranteed nominees of General Maritime Transport Company (the “**Disposal**”).

The Board announces that it has received a letter (the “**Letter**”) from the Singapore Exchange Regulation (“**SGX RegCo**”) on 9 March 2021 and that the SGX RegCo has required the Trustee-Manager to announce the contents of the Letter, which is reproduced in full and in italics below:

1. *Singapore Exchange Regulation (“SGX RegCo”) refers to the following announcements:-*
 - (i) *The Company’s announcement dated 17 February 2021 (Announcement Reference No.: SG210217OTHR7VKG titled “FSL Trust agrees to sell its two LR2 Product Tanker Newbuildings”;*
 - (ii) *The Company’s announcement dated 19 February 2021 (Announcement Reference No.: SG210219OTHR0JW2) titled “Response to SGX Queries”; and*
 - (iii) *The Company’s announcement dated 1 March 2021 (Announcement Reference No.: SG210301OTHR0SJX) titled “FSL Trust completes the disposal of its two LR2 Product Tanker Newbuildings”.*
2. *On 17 February 2021, the Trust announced that it had executed a memoranda of agreement to sell (the “Disposal”) the LR2 product tanker newbuildings FSL Suez (hull no. N944) and FSL Fos (hull no. 945) (the “Vessels”) to an unaffiliated third party following their deliveries from COSCO Shipping Heavy Industry (Yangzhou) Co. Ltd. (the “Shipyard”) and received the initial 15% deposit in escrow. On 1 March 2021, the Trust announced that the Disposal was completed and “the Trust realized an aggregate net gain of approximately US\$ 0.5 million and aggregate net sale proceeds of approximately US\$ 103.8 million (both unaudited).” The Trust did not seek unitholders’ approval for the Disposal. It disclosed the Board’s view that the Disposal was in the ordinary course of business.*
3. *SGX RegCo is of the view that the Disposal of the Vessels is not in the ordinary course of business. In the IPO prospectus, it was clearly stated that the main objective of the Trust is to derive a stable income stream from its portfolio of lease assets. The Trust’s mandate does not include short-term trading of vessels. The Vessels were disposed immediately upon construction completion, even before deployment by the Trust.*
4. *The Trust also completed a 3-for-2 rights issue to raise net proceeds of US\$31 million to finance the acquisition of the Vessels (the “Newbuilding Acquisition”). In the circular to unitholders dated 4 April 2019, it was clearly stated that the net proceeds of the rights issue would be used, among others, for the “Fleet Renewal by way of the Newbuilding Acquisition”. Similarly, in the Trust’s announcement on 6 December 2018, the stated objective of the Newbuilding Acquisition was that “[t]he Newbuilding Acquisition is being undertaken as part of the renewal of FSLT’s aging fleet”. Clearly, the Disposal of the 2 new Vessels deviates from the original objectives of the acquisition and rights issue, which was to renew the Trust’s ageing fleet.*
5. *To substantiate the change in plans of the Newbuilding Acquisition, the Trust disclosed in its response to RegCo that the decision to build the vessels was made in 2018, and as communicated on 17 February 2021, the earnings prospects for LR2 product tankers have fundamentally weakened in the short-term due to the adverse impact of the COVID-19 pandemic on the oil and oil products trade, while the medium- to long-term is affected by the accelerating transition to carbon-neutral, cleaner fuels. The next generation of vessels will likely use alternative fuels to reduce greenhouse gas*

emissions and meet environmental targets and the Trust intends to prioritise such considerations in the future strategy.”

6. *While we recognise the adverse impact of the COVID-19 pandemic, it does not change the basis of determining whether transactions are in the ordinary course of business. Under Paragraph 2.6 in Practice Note 10.6 of the Listing Manual, it is stated that “[a] disposal of an issuer’s business (or a substantial part of its business) will usually not be considered to be in the ordinary course of business”. In SGX RegCo’s opinion, the disposal of the two newly completed Vessels, which were newly built for the stated purpose of renewing the Trust’s aging fleet and which would have formed a significant portion of the Trusts net asset value, would not be considered in the ordinary course of business. Thus, Chapter 10 of the Listing Rules will apply to the Disposal.*
7. *Accordingly, SGX RegCo requires the Trust to seek unitholders’ approval in an EGM under Listing Rule 1014 of Chapter 10 of the Listing Manual as the relative figures computed on the bases set out in Listing Rule 1006 ratios considerably exceeds the 20% threshold for major transactions. As the Trust must hold its AGM by 30 April 2021, kindly seek unitholders’ ratification for the Disposal as soon as possible and no later than its AGM date. In this respect, we note that FSL Trust Management Pte. Ltd., the Sponsor, holds 73% of the Trust’s units. Kindly ensure that the Trust submits the following to SGX RegCo:-*
 - (i) *a confirmation of the unanimous approval from the Board of Directors of the Disposal;*
 - (ii) *a written undertaking from the Trust that it will seek unitholders’ ratification of the Disposal as soon as possible and no later than 30 April 2021;*
 - (iii) *an undertaking from the Sponsor to vote in favour of the Disposal; and*
 - (iv) *an undertaking from the Sponsor not to dispose of its units in the Trust until the EGM is conducted.*

Please make an update announcement when all the above submissions have been made.

8. *Pursuant to Listing Rule 1405(4), failure to comply with the requirements imposed by the SGX RegCo shall be deemed to be a contravention of the Listing Rules. Upon fulfilment of the requirements imposed, please write to inform the SGX RegCo.*
9. *SGX RegCo reserves the right to take all necessary actions for any breaches of the Listing Rules*

Without commenting on the contents of the Letter, the Board remains of the view that the Disposal, as well as the other disposals recently announced and future disposals, are made in the ordinary course of business and that unitholders’ approval of the Disposal is therefore not required for the purposes of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”). In its determination, the Board took into account the following factors:

- a) The definition of Authorised Businesses in the deed of trust constituting FSL Trust dated 19 March 2007 (as amended and supplemented from time to time, the “**Trust Deed**”) specifically includes the disposition of vessels. Accordingly, the Board is of the view that, other than in a liquidation, the disposal of any vessel, including, but not limited to the Newbuildings, is made in the ordinary course of business by definition. FSL Trust is not in liquidation.
- b) As the objective of FSL Trust is to derive a stable income stream from its vessel portfolio, it would have been contrary to its objectives to keep the Newbuildings, which, due to a change in the market environment and technological changes since the Newbuildings were contracted, were reasonably expected create losses otherwise. Accordingly, the Board concluded that the disposal of the Newbuildings, for an extraordinarily high price in the current market environment, was in the best interest of all unitholders of FSL Trust. Moreover, the renewal of the ageing fleet is not for its own sake, but to create value to FSL Trust and all its unitholders. It is therefore in the interest of FSL Trust and all of its unitholders to pro-actively and decisively respond to changes in the market environment, which may include the disposal of vessels only two years after the vessels were contracted. The Board does not consider that the Disposal of the Newbuildings categorises as “short-term trading of vessels”.

- c) The Disposal of the Newbuildings was accretive to the net asset value of FSL Trust. Due to the changes in the market conditions and prospects, the Newbuildings were reasonably expected to generate losses for FSL Trust if they had not been disposed for the price achieved by the Trustee-Manager. Instead, the Trust realised a gain of approximately US\$ 0.5 million from the Disposal, as previously announced. Furthermore, the Trustee-Manager did not derive any economic benefit from the Disposal of the Newbuildings. To the contrary, and to the benefit of FSL Trust and all its unitholders, the Trustee-Manager waived the acquisition fee of 1.0% on the purchase price, as well as the divestment fee of 0.5% on the disposal price, which would otherwise be payable to the Trustee-Manager upon acquisition and sale, respectively, of an asset of FSL Trust in accordance with the Trust Deed.

The Board also notes that FSL Trust Management Pte. Ltd. is not the Sponsor of FSL Trust, but its trustee-manager. The Sponsor of FSL Trust, and holder of approximately 73% of the FSL Trust's total issued units, is FSL Holdings Pte. Ltd.

Nevertheless, to comply with the Letter, the Trustee-Manager will be convening an extraordinary general meeting ("**EGM**") to seek unitholders' approval for the ratification of the Disposal (the "**Proposed Ratification**") and will despatch a circular to unitholders containing the proposed resolution in respect of the Proposed Ratification in due course.

As required, the Trustee-Manager has submitted the following to SGX RegCo:

- (i) a confirmation from FSL Trust to the SGX RegCo that the Disposal was unanimously approved by the Board;
- (ii) a written undertaking from FSL Trust to the SGX RegCo that it will seek unitholders' ratification of the Disposal as soon as possible and no later than 30 April 2021;
- (iii) an undertaking from the Sponsor to FSL Trust to vote in favour of the Disposal; and
- (iv) an undertaking from the Sponsor to FSL Trust not to dispose of its units in FSL Trust until the EGM is conducted.

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
10 March 2021