Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Business Trust: First Ship Lease Trust
(Trustee-Manager: FSL Trust Management Pte. Ltd.)

Stock code: D8DU

Meeting details:
Date: 23 April 2021
Time: 4.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the message from the chairman and the CEO to unitholders, 2020 was a year unlike any other in the recent history of the shipping industry due to the coronavirus pandemic. The trust reported net profit of US$6.2 million for FY2020 and distributed a total of US$79.6 million to unitholders.

Having successfully executed its strategy to divest older, less environmentally friendly vessels, the trust is in a strong financial position to consider its strategic options. It has also increased its ESG (Environmental, Social and Governance) focus and has embedded ESG considerations in its strategic decision-making.

Following the disposal of 3 tankers and 3 containerships, and the subsequent sale of the LR2s, the trust has a portfolio of 12 vessels with a carrying value of US$136.1 million as at 31 December 2020. Nine of these are chartered to international shipping companies on fixed-rate period charters whilst the other three vessels are employed in pools. Information on the lease portfolio can be found on page 102 of the annual report.

(i) **Can the trustee-manager elaborate further on its pace of divestment of its older vessels? Would the further sale of the current fleet make the portfolio too small to be efficiently managed given the overhead costs?**

(ii) **What are the main strategic criteria (e.g. profitability, age, prospects in the market) considered by the board/management in its plans to acquire or to divest a vessel?**

The chairman and CEO have stated that the trust is performing a strategic review to determine the fleet and investment strategy for the coming years.

(iii) **When will the trust be concluding its review? Does the strategic review entail an evaluation into possible diversification?**

(iv) **Are there any major capital expenditure (including dry-docking) required to maintain its current fleet in the next 2-3 years?**

Q2. The trust had embarked on a fleet renewal programme in 2018 when it ordered two new LR2 product tankers. The trust had since disposed the two new vessels subsequent to the year end.

This strategic move was attributed to a changed market environment and weaker earnings prospects for the vessels due to the global pandemic and its impact on the demand for oil and oil products in the short-term, and an increasingly ambitious regulatory framework on carbon emission reductions in the medium- and long-term (page 6).

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The International Maritime Organisation's increasingly ambitious carbon emission reduction targets challenge the medium to long-term prospects of even today's technologically most advanced vessels like the two newbuildings previously owned by the trust.

(i) **Would the board help unitholders better understand how the board sees the long-term prospects of the industry?**

(ii) **Can the trustee-manager help unitholders understand how net-zero emissions for vessels can be achieved?**

(iii) **What are the potential changes to the regulatory framework that would post the most risks to vessel owners such as the trust?** The IMO 2020 (limit on the sulphur content in the fuel to reduce air pollution) is considered by most to be a game changer that significantly affected the industry.

(iv) **On the other hand, based on the board's and the trustee-manager's experience, are there any sweet spots in the market?**

(v) **Would the trust be putting all acquisitions on hold until the strategic review has been completed and there is greater clarity to the group's growth trajectory?**

Q3. Subsequent to the end of the financial year, the trust announced that it had repaid in full the amounts outstanding under the loans from Amsterdam Trade Bank N.V. and Hellenic Bank Public Company Limited of approximately US$28.8 million in aggregate.

As such, the trust has no outstanding borrowings until a new loan of US$15 million with a Taiwanese financial institution is entered into. The group has already accepted an offer from the financial institution and is finishing up the definitive documentation.

This loan would be collateralised against six of the group's product tankers, namely Cumbrian Fisher, Clyde Fisher, Shannon Fisher, Solway Fisher, Seniority and Superiority.

(i) **What cost savings can be achieved with the refinancing? Can management confirm that the new loans being entered into have lower borrowing rates?**

(ii) **Would management help unitholders understand the financial position of the trust following the sale of the LR2, the prepayment and when the new loan is disbursed to the trust?**

(iii) **Does the trust have sufficient capital to support its long-term strategic growth (after the strategic review has been successfully concluded)?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)