



(Constituted in the Republic of Singapore pursuant to  
A trust deed dated 19 October 2006)

## ANNOUNCEMENT

### PROPOSED JOINT ACQUISITION

*Unless otherwise indicated in this announcement, all conversions from Rupiah amounts into Singapore Dollar amounts in this announcement are based on an illustrative exchange rate of S\$1.00 to Rp.9,800.*

#### 1. INTRODUCTION

Bowsprit Capital Corporation Limited, in its capacity as manager of First Real Estate Investment Trust ("**First REIT**") and as manager of First REIT, the "**Manager**", is pleased to announce that First REIT, through a wholly-owned Singapore-incorporated subsidiary, has entered into a joint venture with Lippo Malls Indonesia Retail Trust ("**LMIR Trust**"), through its wholly-owned Singapore-incorporated subsidiary, in connection with the joint acquisition of an integrated development, comprising a hospital component known as "Siloam Hospitals Yogyakarta" ("**SHYG**") and a retail mall component known as "Lippo Plaza Jogja" ("**LPJ**", together with SHYG, the "**Property**", and the acquisition of the Property, the "**Joint Acquisition**"), located at Demangan Subdistrict, Gondokusuman District, Yogyakarta<sup>1</sup>, with postal address Jalan Laksda Adi Sucipto No. 32 – 34, Yogyakarta.

For purposes of the Joint Acquisition:

- (i) HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of First REIT (the "**First REIT Trustee**") has on 3 February 2016 entered into a share purchase agreement with HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of LMIR Trust (the "**LMIR Trust Trustee**") for the acquisition by First REIT of 100.0% of the shares of Icon1 Holdings Pte. Ltd. ("**First REIT SingCo**") from LMIR Trust for S\$100.00<sup>2</sup> (the "**Share Purchase Agreement**"). The acquisition of First REIT SingCo ("**First REIT SingCo Transfer**") by First REIT has been completed and as at the date of this announcement, First REIT SingCo is a wholly-owned subsidiary of First REIT.
- (ii) Immediately following the First REIT SingCo Transfer, First REIT SingCo has on 3 February 2016 entered into a joint venture deed ("**JVA**") with Icon2 Investments Pte. Ltd. ("**LMIR Trust SingCo**", together with First REIT SingCo, the "**Purchasers**"), which is a wholly-owned Singapore-incorporated subsidiary of LMIR Trust, for the purposes of governing the relationship between First REIT SingCo and LMIR Trust SingCo as shareholders of PT Yogya Central Terpadu ("**JV IndoCo**"), a limited liability company to be incorporated in Indonesia. First

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<sup>1</sup> Yogyakarta is also commonly referred to as "Yogya", "Jogjakarta" or "Jogja".

<sup>2</sup> Equivalent to the issued share capital of First REIT SingCo which was satisfied wholly in cash.

REIT SingCo and LMIR Trust SingCo will each hold 100.0% of the Class A ordinary shares (“**Class A Shares**”) and 100.0% of the Class B ordinary shares (“**Class B Shares**”) in JV IndoCo, respectively<sup>3</sup>. Please refer to paragraph 2.2 below for further details of the Class A Shares and Class B Shares.

- (iii) The Purchasers have on 3 February 2016 entered into a conditional sale and purchase agreement with PT Mulia Citra Abadi (the “**Vendor**”) pursuant to which the Purchasers propose to acquire the Property from the Vendor (the “**Property CSPA**”). As Indonesian Agrarian Law does not allow a foreign entity or individual to directly own Indonesian real estate, the Property CSPA provides that the Purchasers have the right to nominate an Indonesian company to enter into a conditional sale and purchase agreement with the Vendor on the same terms as that of the Property CSPA (the “**New Property CSPA**”), and upon such entry, the Purchasers and the Vendor will enter into a termination agreement (the “**Termination Agreement**”) to terminate the Property CSPA. For the avoidance of doubt, the Indonesian company which the Purchasers intend to nominate to enter into the New Property CSPA will be JV IndoCo<sup>4</sup>.

The Joint Acquisition is structured as set out above because the Manager understands that currently in Yogyakarta there are no regulations permitting the regional government of Yogyakarta to subdivide the Property and issue separate strata titles (*Hak Milik Atas Satuan Rumah Susun* certificate)<sup>5</sup>. JV IndoCo will therefore hold the Property under one Right to Build” (*Hak Guna Bangunan* or “**HGB**”) title certificate<sup>6</sup> which will expire on 27 December 2043. Under the JVA, First REIT SingCo has agreed to indemnify LMIR Trust SingCo against any and all losses which LMIR Trust SingCo may suffer or incur which arises out of or in connection with SHYG while LMIR Trust SingCo has agreed to indemnify First REIT SingCo against any and all losses which First REIT SingCo may suffer or incur which arises out of or in connection with LPJ. The effect of the JVA and the holding of the Class A Shares and Class B Shares is that First REIT will only have exposure to all the economic rights and obligations in respect of SHYG through its indirect interest in the Class A Shares, while LMIR Trust will only have exposure to all the economic rights and obligations in respect of LPJ through its indirect interest in Class B Shares, as if they had each acquired SHYG and LPJ separately.

The Vendor is a limited liability company incorporated in Indonesia and a wholly-owned subsidiary of PT Lippo Karawaci Tbk, the sponsor of First REIT and LMIR Trust (the “**Sponsor**”).

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3 The JVA is conditional upon obtaining the approval from the unitholders of First REIT (“**First REIT Unitholders**”) and unitholders of LMIR Trust (“**LMIR Trust Unitholders**”).

4 The New Property CSPA will only be entered into after obtaining the approval from the First REIT Unitholders and the LMIR Trust Unitholders.

5 In the event that the laws and regulations prevailing in Yogyakarta changes to allow strata titles, the Manager and the LMIR Trust Manager (as defined below) may consider subdividing the Property and having separate strata titles issued in respect of LPJ and SHYG.

6 In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of “leasehold” title and under Indonesian Agrarian Law, the highest title which can be obtained by a company incorporated or located in Indonesia is a “Right to Build” or HGB title. HGB title certificates can only be obtained by an Indonesian citizen, or by a legal entity which is incorporated under Indonesian law and located in Indonesia including foreign capital investment companies. A holder of the HGB title has the right to erect, occupy and use buildings on the parcel of land and sell all or part of such parcel. A HGB title is granted for a maximum initial term of 30 years. By application to the relevant local land office upon the expiration of this initial term, a HGB title may be extended for an additional term not exceeding 20 years.

The purchase consideration of the Property is Rp.900.0 billion (S\$91.8 million)<sup>7,8</sup> (the “**Property Purchase Consideration**”) which comprises:

- (a) the consideration attributable to SHYG of Rp.400.0 billion (S\$40.8 million (the “**SHYG Purchase Consideration**”); and
- (b) the consideration attributable to LPJ of Rp.500.0 billion (S\$51.0 million) (the “**LPJ Purchase Consideration**”).

Further details in respect of the structure of the Joint Acquisition are set out at paragraph 2 below.

In connection with the Joint Acquisition, it is proposed that JV IndoCo (as the master lessor) will enter into a master lease agreement (the “**SHYG Master Lease Agreement**”) with the Sponsor (as the master lessee) pursuant to which JV IndoCo will lease SHYG for a lease term of 15 years, commencing from the date of completion of the SHYG Acquisition (as defined below) with an option to renew for a further term of 15 years (the “**SHYG Master Lease**”).

Further, in connection with the Joint Acquisition, it is proposed that JV IndoCo (as the master lessor) will enter into the following leases:

- (I) a car park lease agreement with PT. Andhikarya Sukses Pratama (“**PT ASP**”) (the “**LPJ Car Park Lease Agreement**”);
- (II) a casual leasing space lease agreement with PT. Manunggal Megah Serasi (“**PT MMS**”) (the “**LPJ Casual Leasing Space Lease Agreement**”);
- (III) specialty tenants lease agreements over certain specialty areas with PT. Mulia Cipta Sarana Sukses (“**PT MCSS**”) (the “**LPJ Specialty Tenants Lease Agreements**”); and
- (IV) an art gallery lease agreement with PT MCSS (the “**LPJ Art Gallery Lease Agreement**”),

(collectively, the “**LPJ Master Lease Agreements**”).

PT ASP, PT MMS and PT MCSS (collectively, the “**LPJ Lessees**”) are limited liability companies incorporated in Indonesia and are indirect wholly-owned subsidiaries of the Sponsor. For the avoidance of doubt, pursuant to the JVA, First REIT will neither be entitled to the income earned, nor responsible for the obligations, under the LPJ Master Lease Agreements.

## **2. THE JOINT ACQUISITION**

### **2.1 Description of the Property**

The Property, which is located at Jalan Laksda Adi Sucipto No. 32 – 34, Yogyakarta, comprises a 10-storey building (including one basement and one mezzanine level), which

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7 The Purchase Consideration is inclusive of the applicable land and building acquisition expenses (*Biaya Perolehan Hak Atas Tanah dan Bangunan*) to be paid to the relevant tax office.

8 Based on an illustrative rupiah exchange rate of S\$1.00 to Rp.9,800 (the “**Illustrative Rupiah Exchange Rate**”). Unless otherwise stated, all conversions of Rp. amounts into S\$ in this announcement shall be based on the Illustrative Rupiah Exchange Rate and all amounts in Rp. and S\$ in this announcement shall, where such amount exceeds one million, be rounded to one decimal number.

was built in 2005, erected on land with a total land area of 13,715 square metres (“sq m”) as specified in Right-to-Build Certificate No. 00131/Kelurahan Demangan. It has a shared multi-storey vehicle parking area on the upper levels totalling 752 and 875 car and motorcycle lots, respectively, and a helipad on the roof.

SHYG has a gross floor area (“GFA”) of 12,474 sq m with a maximum capacity of 240 beds. Before completion of the Joint Acquisition, SHYG will commence operations under the “Siloam Hospitals” brand and will be a Centre of Excellence for Neuroscience and Cardiology.

LPJ has a GFA of 66,098 sq m (comprising 35,965 sq m for mall and 30,133 sq m for the parking area) with a diverse range of tenants including a cinema, food retailers and a hypermarket. LPJ underwent major refurbishments from 2013 to 2015 and recommenced operations in June 2015.

## **2.2 Structure of the Joint Acquisition**

First REIT and LMIR Trust are seeking to jointly acquire the Property for a total purchase consideration of Rp.900.0 billion (S\$91.8 million) from the Vendor, which is an indirect wholly-owned subsidiary of the Sponsor. Just prior to the entry into of the Property CSPA by the Purchasers, First REIT has acquired 100.0% of the shares of First REIT SingCo from LMIR Trust for consideration of S\$100.00, pursuant to the First REIT SingCo Transfer.

As Indonesian Agrarian Law does not allow a foreign entity or individual to directly own Indonesian real estate, the Property CSPA provides that the Purchasers have the right to nominate an Indonesian company to enter into the New Property CSPA, and upon such entry, the Purchasers and the Vendor will enter into a Termination Agreement to terminate the Property CSPA. For the avoidance of doubt, the Indonesian company which the Purchasers intend to nominate to enter into the New Property CSPA will be JV IndoCo<sup>9</sup>. JV IndoCo will be a limited liability company to be incorporated in Indonesia, of which 100.0% of its Class A Shares and 100.0% of its Class B Shares will be held by First REIT SingCo and LMIR Trust SingCo, respectively. Accordingly, First REIT will indirectly hold 100.0% of the Class A Shares through First REIT SingCo and LMIR Trust will indirectly hold 100.0% of the Class B Shares through LMIR Trust SingCo.

Pursuant to the JVA:

- (i) the holder of the Class A Shares are entitled to, among others, all the economic rights of all the assets and undertakings relating to SHYG and all the rights to the revenue, profits and dividends attributable to SHYG. The holder of the Class A Shares is also responsible for all the liabilities, obligations, costs, expenses and losses attributable to SHYG, howsoever arising; and
- (ii) the holder of the Class B Shares are entitled to, among others, all the economic rights of all the assets and undertakings relating to LPJ and all the rights to the revenue, profits and dividends attributable to LPJ. The holder of the Class B Shares is also responsible for all the liabilities, obligations, costs, expenses and losses attributable to LPJ, howsoever arising.

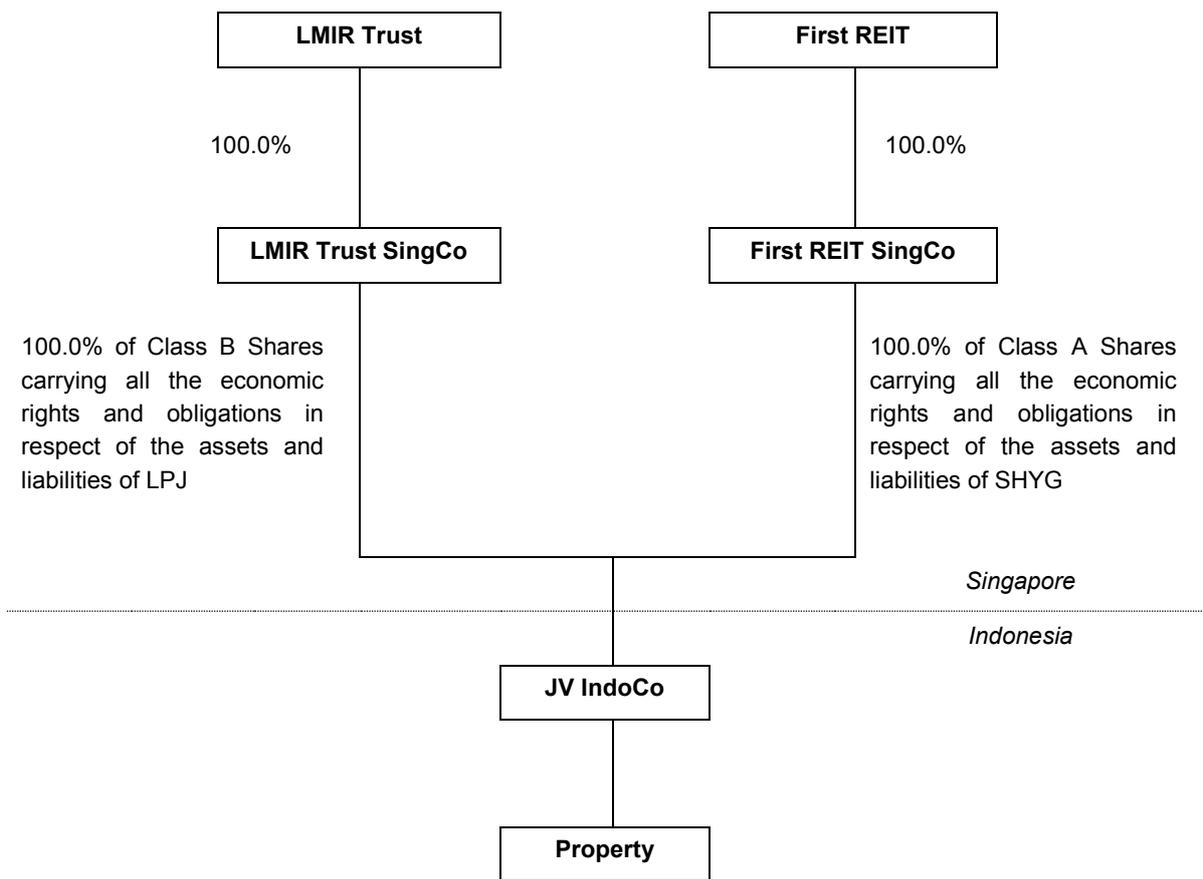
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<sup>9</sup> The New Property CSPA will only be entered into after obtaining the approval from the First REIT Unitholders and the LMIR Trust Unitholders.

In addition, under the JVA, First REIT SingCo has agreed to indemnify LMIR Trust SingCo against any and all losses which LMIR Trust SingCo may suffer or incur which arises out of or in connection with SHYG while LMIR Trust SingCo has agreed to indemnify First REIT SingCo against any and all losses which First REIT SingCo may suffer or incur which arises out of or in connection with LPJ. Further, under the JVA, First REIT SingCo agrees and shall procure the First REIT Trustee to agree that any and all losses which LMIR Trust SingCo may suffer or incur which arises out of or in connection with SHYG shall be satisfied out of the assets of or held on trust for First REIT over which the First REIT Trustee has recourse while LMIR Trust SingCo agrees and shall procure the LMIR Trust Trustee to agree that any and all losses which First REIT SingCo may suffer or incur which arises out of or in connection with LPJ shall be satisfied out of the assets of or held on trust for LMIR Trust over which the LMIR Trust Trustee has recourse.

The effect of the JVA and the holding of the Class A Shares and Class B Shares is that First REIT will only have exposure to all the economic rights and obligations in respect of SHYG through its indirect interest in the Class A Shares, while LMIR Trust will only have exposure to all the economic rights and obligations in respect of LPJ through its indirect interest in Class B Shares, as if they had each acquired SHYG and LPJ separately.

The chart below sets out the structure under which the Property is proposed to be held by First REIT and LMIR Trust upon completion of the Joint Acquisition.



### 2.3 Valuation and Property Purchase Consideration

Two independent property valuers, KJPP Willson & Rekan (in association with Knight Frank) (“**W&R**”) and KJPP Rengganis, Hamid & Rekan (in strategic alliance with CBRE)

(“**Rengganis**”), were appointed by the First REIT Trustee and the Manager respectively to value the Property (the “**First REIT Property Valuations**”), while W&R and Rengganis, were separately appointed as independent property valuers by the LMIR Trust Trustee and LMIRT Management Ltd., as manager of LMIR Trust (the “**LMIR Trust Manager**”) respectively to value the Property (the “**LMIRT Property Valuations**”).

The Property Purchase Consideration, being the aggregate of the SHYG Purchase Consideration and the LPJ Purchase Consideration, was arrived at on a willing-buyer willing-seller basis after taking into account the First REIT Property Valuations (in respect of SHYG only) and LMIRT Property Valuations (in respect of LPJ only). The First REIT Property Valuations and the LMIRT Property Valuations were derived using the income approach utilising the discounted cash flow method. This approach considers the subject property as an income producing property. The following table sets out the appraised values of SHYG based on the First REIT Property Valuations, the respective dates of such appraisal and the SHYG Purchase Consideration:

Property	Appraised Value <sup>(1)</sup>				Purchase Consideration (S\$ million)
	By W&R as at 30 September 2015		By Rengganis as at 30 September 2015		
	(S\$ million)	(Rp. billion)	(S\$ million)	(Rp. billion)	
SHYG	41.5 <sup>(3)</sup>	426.6	45.2 <sup>(3)</sup>	464.4	40.8 <sup>(2)</sup>

**Notes:**

- (1) As the Property is held under one HGB title, each of the First REIT Property Valuations and the LMIRT Property Valuations valued the Property as a whole while providing a breakdown between the values of SHYG and LPJ. Pursuant to the First REIT Property Valuations, the appraised value of the Property as a whole by W&R and Rengganis as at 30 September 2015 is Rp.952.5 billion and Rp.1,012.6 billion respectively. The appraised value of the Property and the breakdown between SHYG and LPJ in the LMIRT Property Valuations is the same as the First REIT Property Valuations. Please refer to the announcement of LMIR Trust in relation to the Joint Acquisition released on the same date as this announcement (the “**LMIR Trust Announcement**”) for further details of the LMIRT Property Valuations.
- (2) Only the value of SHYG in the First REIT Property Valuations was taken into account in determining the SHYG Purchase Consideration. For the avoidance of doubt, the SHYG Purchase Consideration of S\$40.8 million is based on the exchange rate of S\$1.00 to Rp.9,800.
- (3) Based on the exchange rate of S\$1.00 to Rp.10,274 as at 30 September 2015.

The SHYG Purchase Consideration is below the two independent valuations obtained in relation to SHYG pursuant to the First REIT Property Valuations and represents a discount of 6.2% to S\$43.4 million, which is the average of the two independent valuations of SHYG pursuant to the First REIT Property Valuations.

## 2.4 Property Acquisition Cost

The total cost to First REIT of the Joint Acquisition, comprising (i) the SHYG Purchase Consideration of Rp.400.0 billion (S\$40.8 million), (ii) the acquisition fee<sup>10</sup> of Rp.4.0 billion (S\$0.4 million) (the “**SHYG Acquisition Fee**”) payable to the Manager pursuant to the Trust Deed which is payable in the form of units of First REIT (“**Units**”), as well as (iii) the professional and other fees and expenses of approximately S\$0.6 million to be incurred by First REIT in connection with the Joint Acquisition, is estimated to be approximately S\$41.8 million (the “**SHYG Acquisition Cost**”). Please refer to the LMIR Trust Announcement for details of the total cost to LMIR Trust of the Joint Acquisition.

<sup>10</sup> Being 1.0% of the SHYG Purchase Consideration.

## **2.5 Method of Financing**

The SHYG Purchase Consideration will be paid in cash. The SHYG Acquisition Cost is expected to be financed by a combination of a drawdown from First REIT's debt facilities and internal cash. The final decision regarding the method of financing to be employed will be made at the appropriate time taking into account the relevant market conditions.

## **2.6 Conditions Precedent to the Completion of the Joint Acquisition**

Pursuant to the Property CSPA, completion of the Joint Acquisition under the Property CSPA may take place in two separate stages for SHYG and LPJ. Completion for the acquisition of LPJ pursuant to the Joint Acquisition (the "**LPJ Acquisition**") is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following:

- 2.6.1** the obtainment of approval from the respective Audit Committees and the Boards of Directors of the Manager and LMIR Trust Manager;
- 2.6.2** the obtainment of approval from the First REIT Unitholders and LMIR Trust Unitholders to be given at extraordinary general meetings ("**EGM**") of First REIT Unitholders and LMIR Trust Unitholders for the Joint Acquisition of the Property together by LMIR Trust and First REIT under the Transaction Documents (as defined in the Property CSPA) including the sale and purchase of the Property pursuant to the Property CSPA and for the relevant Contracts (as defined in the Property CSPA);
- 2.6.3** the obtainment of approval from the shareholders of the Purchasers;
- 2.6.4** the entry into of a trademark licensing agreement between JV IndoCo and PT Sentra Dwimandiri for the grant of the right to JV IndoCo to use the trademark or word "Lippo Plaza";
- 2.6.5** the obtainment of other approvals (if required) including those of the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited (the "**SGX-ST**");
- 2.6.6** the Purchasers, First REIT Trustee and LMIR Trust Trustee being satisfied with the results of due diligence (in relation to legal, financial, tax and building due diligence) to be conducted by the Purchasers, First REIT Trustee and LMIR Trust Trustee and/or its counsels or advisers, which the Purchasers, First REIT Trustee and/or LMIR Trust Trustee may consider to be relevant, including due diligence and court searches conducted on or in connection with the Vendor and the Property;
- 2.6.7** LMIR Trust securing sufficient financing to undertake the payment of the LPJ Purchase Consideration and the agreement for such financing not having been terminated and being unconditional in all respects;
- 2.6.8** the receipt by the Purchasers of relevant legal opinions;
- 2.6.9** there being no adverse change to the financial condition of the Vendor and PT Wisma Jatim Propertindo ("**PT WJP**") which is a wholly-owned subsidiary of the Sponsor and which will be entering into the Deed of Indemnity (as defined below), or their ability to perform any of their obligations under the Transaction Documents;
- 2.6.10** the licenses, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the proposed sale

and purchase of the Property pursuant to the Transaction Documents having been obtained by the Vendor from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms satisfactory to the Purchasers and such licenses, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remain in full force and effect;

- 2.6.11 no law, regulation or decision which would prohibit, restrict or delay or adversely affect the sale and purchase of the Property or the operation of the Property having been proposed, enacted or taken by any governmental or official authority;
- 2.6.12 the obtainment of the Vendor of corporate approvals from its shareholders, board of commissioners and board of directors approving, among others, the sale of the Property and the transactions contemplated in the Transaction Documents to which the Vendor is a party;
- 2.6.13 the obtainment by PT WJP, of corporate approvals from its shareholders, board of commissioners and board of directors approving, among others, to act as a guarantor by providing indemnification for the Vendor and the transactions contemplated in the Transaction Documents to which PT WJP is a party;
- 2.6.14 the submission of the 2014 duly audited financial statement of PT WJP as indemnifier and if required by the Purchasers, the First REIT Trustee or the LMIR Trust Trustee in their discretion, the change of identity of the indemnifier to a party acceptable to the Purchasers, the First REIT Trustee and the LMIR Trust Trustee and any amendments, supplements, novation, assignments, and/or extensions of to the Deed of Indemnity as may be required to give effect to the foregoing in form and substance satisfactory to the Purchasers, the First REIT Trustee and the LMIR Trust Trustee (as the case may be);
- 2.6.15 the due execution of novation agreements to novate contracts involving the Property to the Purchaser;
- 2.6.16 the due execution of the New Property CSPA by the Vendor and the JV IndoCo, with the same terms and conditions as provided in the Property CSPA;
- 2.6.17 the due execution of the Termination Agreement, with terms mutually agreed upon by the parties to terminate the Property CSPA on the same date with the execution of the New Property CSPA;
- 2.6.18 the due execution of the confirmation agreement by all parties to the Deed of Indemnity;
- 2.6.19 there being no compulsory acquisition of the Property or any part of it, and no notice of such intended compulsory acquisition or resumption has been given, or is anticipated by the government or other competent authority;
- 2.6.20 subject to the provisions of the Property CSPA, the Property or any part thereof is not materially damaged;
- 2.6.21 the receipt of the Purchaser of a duly executed land confirmation letter (*surat keterangan pendaftaran tanah*) from the authorised land office, stating the legal title of the Vendor over the HGB and expiration of such legal title;

- 2.6.22 the obtainment by the Vendor of all licenses required for the construction and operation of the Property in respect of the retail mall component in accordance with applicable laws and regulations;
- 2.6.23 the rectification of discrepancies with the name of the shopping centre in the material agreements;
- 2.6.24 all requirements, including but not limited to, the obtainment, the timely renewal and/or extension and/or undertaking to renew and/or to extend of all requisite insurances, licenses and certifications having been obtained by the Vendor in relation to LPJ;
- 2.6.25 there having been no breach of any of the representations, warranties, covenants and/or undertakings provided in the Transaction Documents which, in the reasonable opinion of the Purchasers, will or is likely to (a) have a material adverse effect on the Property, (b) affect the effectiveness, legality, validity and/or enforceability of the sale and transfer of the Property from the Vendor to the Purchasers free of any encumbrances in accordance with the Transaction Documents, (c) affect the effectiveness, legality, validity and/or enforceability of the Transaction Documents or the transactions contemplated thereby, (d) affect the performance of obligations of the Vendor under any Transaction Document, (e) affect or impair the rights, entitlements, authorities and/or benefits of a purchaser group member under the Transaction Documents, and/or (f) affect the legal title and beneficial ownership of the Property by the Vendor prior to or on completion of the LPJ Acquisition;
- 2.6.26 all the Vendor's rights and obligations under the Contracts (including but not limited to tenancy agreements of LPJ representing at least 50% of the total lease revenue of LPJ (the "**Required Tenancy Agreements**")<sup>11</sup>) being irrevocably and unconditionally novated to the Purchasers;
- 2.6.27 the termination agreement of the existing lease agreements in relation to LPJ for the car park, the casual leasing space, the specialty tenants and the art gallery;
- 2.6.28 the entry into a supplemental property conditional sale and purchase agreement in form and substance satisfactory to the Purchasers which attaches the agreed forms of the LPJ Master Lease Agreements;
- 2.6.29 the execution of the LPJ Master Lease Agreements;
- 2.6.30 due execution of other Transaction Documents;
- 2.6.31 the assignment to the Purchaser of all warranties, including those as set out in the Property CSPA; and
- 2.6.32 the rectification of the defects as set out in the Property CSPA.

In the event that there are contracts, agreements, leases and/or letters of intent (excluding the Required Tenancy Agreements) in relation to the Property which are not novated from the Vendor to JV IndoCo from the date of completion of the LPJ Acquisition, the Vendor shall novate the remaining tenancy agreements to JV IndoCo within six months commencing from the date of completion of the LPJ Acquisition and within such six month

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11 "**Total lease revenue of LPJ**" means the total amount of rental fees and other amounts payable to the Vendor by all tenants at LPJ under all tenancy agreements in relation to LPJ commencing from the date of the completion of the LPJ Acquisition until the expiry of the remaining lease terms of such tenancy agreements.

period, JV IndoCo shall be entitled to receive all rental fees and service charges in relation to the remaining tenancy agreements from the Vendor without any deductions. If the Vendor has not fully novated the remaining tenancy agreements at the end of the above six month period, the Vendor shall pay JV IndoCo the total rental fees and service charges for the remaining terms of such tenancy agreements.

Completion for the acquisition of SHYG pursuant to the Joint Acquisition (the “**SHYG Acquisition**”) is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following:

- (i) the completion of the LPJ Acquisition has occurred and the deed of sale and purchase (*akta jual beli*) (the “**Deed of SPA**”) is executed;
- (ii) First REIT securing sufficient financing to undertake the payment of the SHYG Purchase Consideration and the agreement for such financing not having been terminated and being unconditional in all respects;
- (iii) the obtainment by the Vendor of all licenses required for the construction and operation of the Property in respect of the hospital component in accordance with applicable laws and regulations;
- (iv) all requirements, including but not limited to, the obtainment, the timely renewal and/or extension and/or undertaking to renew and/or to extend of all requisite insurances, licenses and certifications having been obtained by the Vendor in relation to SHYG;
- (v) no law, regulation or decision which would prohibit, restrict or delay or adversely affect the sale and purchase of SHYG or the operation of SHYG having been proposed, enacted or taken by any governmental or official authority;
- (vi) the entry into of the SHYG Master Lease Agreement; and
- (vii) there having been no breach of any of the representations, warranties, covenants and/or undertakings provided in the Transaction Documents which, in the reasonable opinion of the Purchasers, will or is likely to (a) have a material adverse effect on the Property, (b) affect the effectiveness, legality, validity and/or enforceability of the sale and transfer of the Property from the Vendor to the Purchasers free of any encumbrances in accordance with the Transaction Documents, (c) affect the effectiveness, legality, validity and/or enforceability of the Transaction Documents or the transactions contemplated thereby, (d) affect the performance of obligations of the Vendor under any Transaction Document, (e) affect or impair the rights, entitlements, authorities and/or benefits of the purchaser group members under the transaction documents, and/or (f) affect the legal title and beneficial ownership of the Property by the Vendor prior to or on the completion of the SHYG Acquisition.

Upon the completion of the LPJ Acquisition, the Vendor and JV IndoCo will enter into the Deed of SPA which shall be executed before the authorised Land Deed Officer (*Pejabat Pembuat Akta Tanah*) in accordance with the applicable Indonesia Laws.

## **2.7 Indemnity in relation to the Property CSPA**

The First REIT Trustee and the LMIR Trust Trustee have on 3 February 2016 also entered into a deed of indemnity with PT WJP, which is a wholly-owned subsidiary of the Sponsor, pursuant to which PT WJP will, subject to certain conditions, indemnify First REIT Trustee

and LMIR Trust Trustee against liabilities or damages suffered by First REIT Trustee and LMIR Trust Trustee arising from the Joint Acquisition (the “**Deed of Indemnity**”). Under the Deed of Indemnity, the maximum aggregate liability of PT WJP to the First REIT Trustee and the LMIR Trust Trustee is limited to the SHYG Purchase Consideration and the LPJ Purchase Consideration, respectively.

## 2.8 The SHYG Master Lease Agreement

On or about the date of the SHYG Completion, JV IndoCo will enter into the SHYG Master Lease Agreement with the Sponsor (as master lessee of SHYG).

The SHYG Master Lease will be granted to the Sponsor (as the master lessee of SHYG) for a lease term of 15 years, commencing from the date of completion of SHYG Completion with an option to renew for a further term of 15 years. Some key terms of the SHYG Master Lease Agreement are as follows. For the avoidance of doubt, pursuant to the JVA, LMIR Trust will neither be entitled to the income earned by JV IndoCo nor responsible for the obligations under the SHYG Master Lease Agreement.

### 2.8.1 SHYG Master Lease Agreement

#### (i) Base Rent

The SHYG Master Lease will be granted at an initial base rent of S\$3.85 million (Rp.37.7 billion) per annum (the “**Base Rent**”). The Base Rent will be payable quarterly in advance and will be subject to increase every year after the initial period of three years from the commencement of the SHYG Master Lease, at a rate equal to twice the percentage increase of the Consumer Price Index of Singapore (the “**Singapore CPI**”) for the preceding year subject to a floor of 0.0% and a cap of 2.0%. Rental escalation in relation to SHYG will be pegged to the Singapore CPI, as is the case with the Existing Portfolio (as defined below). The historical trends of the Singapore CPI (the average Singapore CPI was approximately 1.9% over the 15-year period between 1999 and 2014) provide assurance that the rental adjustments will be relatively stable compared with the Consumer Price Index of Indonesia (the “**Indonesia CPI**”). This is in line with First REIT’s intent to offer stable distributions to investors.

In the event that there is a change of the Singapore Dollar to Indonesian Rupiah exchange rate, the Base Rent shall be adjusted accordingly based on the following formula:

Base Rent / Rp. 9,800 x BI Market Rate,

Where “**BI Market Rate**” means the Bank Indonesia’s Rupiah exchange rate based on Bank Indonesia’s buying rate of Singapore Dollar to Indonesian Rupiah applicable 14 (fourteen) days prior to the date of the invoice issued by JV IndoCo pursuant to the SHYG Master Lease Agreement. As a result of this formula stipulated in the SHYG Master Lease Agreement, the exchange rate exposure vis-à-vis the Indonesian Rupiah is mitigated. Accordingly, in Singapore dollar terms, there would be no real reduction in the rental rate when compared to the long run inflation rate in Singapore.

The Manager is also of the view that the cap of 2.0% is reasonable as it is consistent with the Existing Portfolio. For the avoidance of doubt, a negative Singapore CPI will not decrease the annual Base Rent.

(ii) **Variable Rent**

The variable rent (the “**Variable Rent**”) will be payable quarterly in advance and no variable rent will be payable in the first, second and third year of the SHYG Master Lease. No variable rent will be payable for the first three years of operations as this will enable the tenant to conserve its cash flow to step up and enhance its operations to an optimal level. The SHYG Variable Rent for the fourth year and for subsequent years of the SHYG Master Lease will be based on the SHYG Gross Operating Revenue<sup>12</sup> growth and will be calculated as described in sub-paragraph 2.8.1(iii). The Manager also wishes to note that the Base Rent will form the main bulk of the SHYG Total Rent<sup>13</sup> which adequately achieves First REIT’s required rate of return. The Variable Rent will constitute only a small proportion of the SHYG Total Rent.

In the event that there is a change of the Singapore Dollar to Indonesian Rupiah exchange rate, the Variable Rent shall be adjusted accordingly based on the following formula:

Variable Rent / Rp. 9,800 x BI Market Rate,

Where “**BI Market Rate**” means the Bank Indonesia’s Rupiah exchange rate based on Bank Indonesia’s buying rate of Singapore Dollar to Indonesian Rupiah applicable 14 (fourteen) days prior to the date of the invoice issued by JV IndoCo pursuant to the SHYG Master Lease Agreement. As a result of this formula stipulated in the SHYG Master Lease Agreement, the exchange rate exposure vis-à-vis the Indonesian Rupiah is mitigated. Accordingly, in Singapore dollar terms, there would be no real reduction in the rental rate when compared to the long run inflation rate in Singapore.

(iii) **Computation of the Variable Rent for the Fourth Year of the SHYG Master Lease**

No variable rent will be payable in the first, second and third year of the SHYG Master Lease. For the fourth year and for subsequent years of the SHYG Master Lease, the variable rent payable will be computed as follows:

- where the SHYG Gross Operating Revenue for the preceding financial year exceeds the SHYG Gross Operating Revenue for the further preceding financial year by an amount that is 5.00% or more but less than 15.00%, the variable rent payable by the master lessee of the SHYG shall be equivalent to 0.75% of such excess amount;
- where the SHYG Gross Operating Revenue for the preceding financial year exceeds the SHYG Gross Operating Revenue for the further preceding financial year by an amount that is 15.00% or more but less than 30.00%, the variable rent payable by the master lessee of the SHYG shall be equivalent to 1.25% of such excess amount; and

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12 “**SHYG Gross Operating Revenue**” means the gross operating revenue of the tenant derived specifically from the tenant’s healthcare and/or healthcare-related business carried on at SHYG, as audited for such period commencing 1 January and ending on 31 December of the same year (“**Fiscal Year**”). In the event the property is sub-let by the tenant to a sub-tenant, the gross operating revenue shall mean with respect to a Fiscal Year, the gross operating revenue of the sub-tenant derived specifically from the sub-tenant’s healthcare and/or healthcare-related business carried on at the property, as audited for such Fiscal Year.

13 “**SHYG Total Rent**” refers to the sum of the Base Rent and the Variable Rent.

- where the SHYG Gross Operating Revenue for the preceding financial year exceeds the SHYG Gross Operating Revenue for the further preceding financial year by an amount of 30.00% or more, the variable rent payable by the master lessee of the SHYG shall be equivalent to 2.00% of such excess amount.

For the avoidance of doubt, when the SHYG Gross Operating Revenue of the preceding financial year of the master lessee of the SHYG does not exceed the SHYG Gross Operating Revenue of the further preceding financial year by 5.00% or more, no Variable Rent will be payable.

#### **2.8.2 Fixed Exchange Rate**

The SHYG Total Rent shall be paid in Indonesian Rupiah. In the event the exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,800, the SHYG Total Rent shall be adjusted accordingly based on the following formula:

Total Rent / Rp.9,800 x BI Market Rate,

Where “**BI Market Rate**” means the Bank Indonesia’s Rupiah exchange rate based on Bank Indonesia’s buying rate of Singapore Dollar to Indonesian Rupiah applicable 14 days prior to the date of the invoice issued by JV IndoCo pursuant to the SHYG Master Lease Agreement.

#### **2.8.3 Assignment/Subletting**

The Sponsor shall not assign the SHYG Master Lease without the prior written consent of JV IndoCo. The assignee must be of good repute and sound financial standing and the Sponsor, the assignee and JV IndoCo shall contemporaneously with the assignment of the SHYG Master Lease to the assignee (as new tenant) execute in escrow a deed of novation in respect of the SHYG Master Lease for the replacement of the assignee by the Sponsor upon the occurrence of any event of default committed by the assignee under the SHYG Master Lease.

The Sponsor shall not sub-let SHYG without the prior written consent of JV IndoCo (such consent not to be unreasonably withheld) and subject to such terms and conditions which JV IndoCo may impose, provided always that the Sponsor shall not be required to seek the consent of JV IndoCo, but only notify JV IndoCo in writing, in the event of any sub-lease of SHYG by the Sponsor to PT Siloam International Hospitals, a limited liability company incorporated in Indonesia (“**PT SIH**”) or a subsidiary of PT SIH.

#### **2.8.4 Maintenance and other Operating Expenses of SHYG**

The Sponsor (as the master lessee of SHYG) will be responsible for:

- (i) all outgoings including, but not limited to, expenses relating to the internal and external property repairs and maintenance, landscaping, utility costs, property related taxes relating to SHYG;
- (ii) all outgoings; and
- (iii) all capital expenses (including JV IndoCo’s capital expenditure (“Capex”)) relating to SHYG for the first two years of the SHYG Master Lease.

Accordingly, First REIT will not be affected by any cost escalation in Indonesia of maintenance and operation expenses in relation to SHYG.

#### **2.8.5 Insurance of SHYG**

At all times during the term of the SHYG Master Lease and during any period of holding over, the Sponsor (as the master lessee of SHYG) shall at its cost and expense, take out and keep in force the following insurance policies:

- (i) an insurance policy over all of the Sponsor's property including any and all goods and stock-in-trade in SHYG to their full insurable value against all risks commonly insured against in respect of such property;
- (ii) an insurance policy against loss of rental income, terrorism, sabotage, business interruption and all risks and damage (including earthquake) in the joint names of JV IndoCo and the Sponsor to its full market insurable amount as assessed by JV IndoCo, damage to the building at SHYG and all parts thereof which the Sponsor is obliged to keep in repair under the SHYG Master Lease. JV IndoCo shall pay for any increase in premium payable due to increase in sum insured for all risks and damage (including earthquake), if any;
- (iii) a comprehensive public liability insurance policy in the joint names of JV IndoCo and the Sponsor against claims for personal injury, death or property damage or loss, arising out of all operations of the Sponsor and its permitted occupiers in SHYG; and
- (iv) an insurance policy covering all of the Sponsor's risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the Sponsor at SHYG.

The Manager believes that the insurance policies to be taken out by the Vendor for SHYG are consistent with industry practice in Indonesia.

#### **2.9 The LPJ Master Lease Agreements**

It is currently intended that upon completion of the LPJ Acquisition, JV IndoCo will enter into the LPJ Master Lease Agreements, in relation to the car park, the casual leasing space, the speciality tenants and the art gallery.

The LPJ Lessees are limited liability companies incorporated in Indonesia and are indirect wholly-owned subsidiaries of the Sponsor.

Please refer to the LMIR Trust Announcement for further details of the terms of the LPJ Master Lease Agreements. For the avoidance of doubt, pursuant to the JVA, First REIT will neither be entitled to the income earned, nor responsible for the obligations, under the LPJ Master Lease Agreement.

#### **2.10 Related Tenancy Agreements relating to the Joint Acquisition**

Upon the completion of the LPJ Acquisition, and assuming that all of the leases of LPJ are novated to JV IndoCo immediately prior to the completion of the LPJ Acquisition, LMIR Trust will, through JV IndoCo, take over all of the tenancy agreements with respect to LPJ, including various tenancy agreements entered into with certain associates and subsidiaries of the Sponsor (the "**Related Tenancy Agreements**"). Please refer to the LMIR Trust Announcement for further details of the Related Tenancy Agreements.

## 2.11 Interested Person Transaction and Interested Party Transaction

As at the date of this announcement, the Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 33.20% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a “Controlling Unitholder”<sup>14</sup> of First REIT and a “Controlling Shareholder”<sup>15</sup> of the Manager respectively under both the Listing Manual of the SGX-ST (the “Listing Manual”) and the Property Funds Appendix. The Sponsor also directly and/or through its subsidiaries and through its interest in the LMIR Trust Manager, has deemed interests of (i) 29.20% in LMIR Trust and (ii) 100.0% in the LMIR Trust Manager and is therefore regarded as a Controlling Unitholder of LMIR Trust and a Controlling Shareholder of the LMIR Trust Manager respectively under both the Listing Manual and the Property Funds Appendix.

For the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor, being an indirect wholly-owned subsidiary of the Sponsor (which in turn is a Controlling Unitholder of First REIT and a Controlling Shareholder of the Manager) is an Interested Person<sup>16</sup> and Interested Party<sup>17</sup> of First REIT. In addition, LMIR Trust and First REIT have the same Controlling Unitholder and the Manager and the LMIR Trust Manager have the same Controlling Shareholder.

As such, the transactions comprising the Joint Acquisition and the JVA pursuant to which First REIT will only have exposure to all the economic rights and obligations in respect of SHYG (including the SHYG Master Lease) and LMIR Trust will only have exposure to all the economic rights and obligations in respect of LPJ (including the LPJ Master Leases) (the “Transactions”) will constitute Interested Person Transactions under Chapter 9 of the Listing Manual and also Interested Party Transactions under paragraph 5 of the Property Funds Appendix for which First REIT Unitholders’ approval is required. Accordingly, the approval of First REIT Unitholders is sought for the Transactions.

## 3. RATIONALE FOR THE JOINT ACQUISITION

The Manager believes that the Joint Acquisition will bring, among others, the following key benefits to First REIT Unitholders:

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14 “Controlling Unitholder” means a person who:

- (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or
- (b) in fact exercises control over the property fund.

15 “Controlling Shareholder” means a person who:

- (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company; or
- (b) in fact exercises control over a company.

16 As defined in the Listing Manual, means:

- (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of First REIT or, as the case may be, LMIR Trust; or
- (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of First REIT or, as the case may be, LMIR Trust.

17 As defined in the Property Funds Appendix, means:

- (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of First REIT or, as the case may be, LMIR Trust; or
- (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of First REIT or, as the case may be, LMIR Trust.

### 3.1 Opportunity to purchase attractive and high quality property in Central Java, Yogyakarta, at price below valuation

The Joint Acquisition represents an opportunity for First REIT to acquire a hospital that is attractive, high quality and of international standards, situated in a strategically located catchment area with one of the highest population densities of Yogyakarta. Regionally, Yogyakarta and the surrounding cities collectively have one of the highest population densities of Java.

SHYG will be well-positioned for the middle to high income segment of the healthcare market.

Additionally, SHYG will be acquired at a price below the average of its independent valuations. SHYG will be acquired at a discount of 6.2% to the average of the independent valuations by W&R and Rengganis.

### 3.2 Increased income stability of First REIT through the SHYG Master Lease Agreement and increase in First REIT's weighted average lease to expiry

The SHYG Master Lease will be beneficial to First REIT as SHYG is expected to provide stability to First REIT's Gross Rental Income<sup>18</sup> over the next 15 to 30 years (assuming that the option to renew for a further term of 15 years is exercised). The step-up feature of the base and variable rental components under the SHYG Master Lease Agreement will also provide locked-in organic growth in First REIT's cash flow. To ensure stability in First REIT's Gross Rental Income from SHYG, security deposits equivalent to six months of SHYG's annual rental payable (amounting to S\$1,925,000) will be made to First REIT in the form of bankers' guarantees. Such security deposit amounts will be adjusted at relevant rent review dates.

The Joint Acquisition is also in line with the Manager's acquisition growth strategy of pursuing opportunities for asset acquisitions that will provide stable cash flows and returns relative to First REIT's cost of capital and opportunities for future income and capital growth.

Currently, the master leases of the properties in First REIT's existing portfolio ("**Existing Portfolio**")<sup>19</sup> are between 10 to 15 years. With the Joint Acquisition, First REIT will benefit from the increase in the Existing Portfolio's weighted average lease to expiry based on the secured Gross Rental Income with SHYG contributing 3.8% of First REIT's total Gross Rental Income under the SHYG Master Lease Agreement. The weighted average lease to expiry of the Enlarged Portfolio<sup>20</sup> will increase from approximately 10.8 years as at 31 December 2015 to 11.0 years after the completion of the Joint Acquisition.

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18 "**Gross Rental Income**" refers to the contracted rent under the master lease agreements in relation to SHYG and the portfolio of properties currently held by First REIT, which comprises base rent and variable rent (where applicable).

19 "**Existing Portfolio**" means the portfolio of properties currently held by First REIT, consisting of its properties in Indonesia: Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Sriwijaya, Siloam Hospitals Purwakarta, Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar, Mochtar Riady Comprehensive Cancer Centre, Siloam Hospitals Lippo Cikarang, Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Imperial Aryaduta Hotel & Country Club; its properties in Singapore: Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang, The Lantor Residence; and its property in the Republic of South Korea: Sarang Hospital.

20 "**Enlarged Portfolio**" consists of SHYG and the Existing Portfolio.

### **3.3 Increased absolute size of First REIT's asset base which will raise the profile of First REIT among global investors and increased portfolio size enhances First REIT's competitive positioning and ability to pursue future acquisitions**

First REIT's asset size will grow by 3.15% from S\$1.27 billion to S\$1.31 billion after the completion of the Joint Acquisition. The value of First REIT's Deposited Property<sup>21</sup> is expected to increase by 3.03% from S\$1.32 billion as at 31 December 2015 to S\$1.36 billion after the completion of the Joint Acquisition and there will also be a 4.07% increase in the total GFA from 306,707 sq m before the Joint Acquisition to 319,181 sq m after the completion of the Joint Acquisition. The maximum number of hospital beds for the Indonesia properties will increase by 7.31% from 3,283 to 3,523.

The larger asset base is expected to enhance First REIT's overall capital management flexibility, which will, among others, facilitate future acquisitions by First REIT.

The Joint Acquisition is expected to benefit First REIT Unitholders by improving diversification of Gross Rental Income due to diversification in geographical location and asset class. With an enlarged asset base, the operator of SHYG will also enjoy greater operating synergies in the long term which would indirectly benefit First REIT through higher variable rent and potential capital appreciation.

### **3.4 The Joint Acquisition would enable First REIT to grow through the acquisition of a hospital which enhances the diversification of First REIT's portfolio across locations and medical specialisations**

SHYG is located in Indonesia in which First REIT already operates and is an extension of First REIT's Existing Portfolio.

SHYG will be the most modern and well-equipped facility in the whole of Yogyakarta. It is fitted with the 1.5 Tesla MRI Unit, 128-slice CT scanner, Digital X-ray machine, 4-Dimension USG and Computed Radiography, a highly advanced Cath-Lab unit and 3-Dimension Echocardiography, among others. It is a Center of Excellence for Neuroscience and Cardiology, while various specialties offered include Cardiology, Dentistry, Dermatology, ENT, General Surgery, Haemodialysis, Internal Medicine, Neurology, Ophthalmology, Orthopaedic Surgery, Paediatrics, O&G, Medical Rehabilitation & Physiotherapy, Radiology, Trauma and Urology.

SHYG is centrally located in Yogyakarta, within the Gondokusuman District. It is situated along Jalan Laksda Adi Sucipto, co-located with many commercial developments of complementary uses and is approximately five kilometres away from the Adisucipto International Airport. The Property is also highly accessible via public and private transportation.

Being located in Indonesia's Outside Central Region, the Joint Acquisition will enhance First REIT's competitive advantage and presence in Indonesia's Outside Central Region.

The above qualities of SHYG are expected to enhance the diversification of First REIT's portfolio across locations and medical specialisations.

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21 "**Deposited Property**" refers to the gross assets of First REIT, including First REIT's properties and authorised investments for the time being held or deemed to be held upon the trusts under the Trust Deed.

**3.5 Increase in attractiveness of the Enlarged Portfolio given that the Property is newly refurbished and will reduce the weighted average age of the properties in the Enlarged Portfolio**

As at 31 December 2015, the weighted average age of properties of the Enlarged Portfolio will decrease by about 4.30% from approximately 9.3 years from that of the Existing Portfolio to approximately 8.9 years after the completion of the Joint Acquisition.

**4. MAJOR TRANSACTIONS**

**4.1 Major Transactions – Chapter 10 of the Listing Manual**

A proposed acquisition by First REIT may fall into any of the categories set out in Rule 1004 of the Listing Manual depending on the size of the relative figures computed on the following bases of comparison as stated in Rule 1006 of the Listing Manual:

- (i) the net asset value of the assets to be disposed of, compared with net asset value (not applicable to the Joint Acquisition);
- (ii) the net profits attributable to the assets acquired, compared with First REIT's net profits;
- (iii) the aggregate value of the consideration given, compared with First REIT's market capitalisation; and
- (iv) the number of equity securities issued as consideration for an acquisition, compared with the number of equity securities previously in issue (not applicable to the Joint Acquisition).

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a "major transaction" under Rule 1014 of the Listing Manual which would be subject to the approval of First REIT Unitholders, unless such transaction is in the ordinary course of First REIT's business.

None of the relative figures in relation to the SHYG Acquisition pursuant to the Joint Acquisition computed on the bases set out above exceed 20.0%. Furthermore, the Joint Acquisition is not a major transaction under Chapter 10 of the Listing Manual as it is within First REIT's ordinary course of business.

However for the purposes of illustration to First REIT Unitholders, the relative figures for the SHYG Acquisition pursuant to the Joint Acquisition using the applicable bases of comparison described in sub-paragraphs 4.1(ii) and 4.1(iii) are set out in the table below.

Comparison of:	SHYG	First REIT	Relative Figure
Net Property Income <sup>(1)</sup>	SHYG: S\$3.75 million <sup>(2)</sup>	S\$99.3 million <sup>(3)</sup>	3.78%
SHYG Purchase Consideration against First REIT's market capitalisation	SHYG: S\$40.8 million <sup>(4)</sup>	First REIT's market capitalisation: S\$889.0 million <sup>(5),(6)</sup>	4.59%

**Notes:**

- (1) In the case of a real estate investment trust, the Net Property Income is a close proxy to the net profits attributable to its assets. "Net Property Income" consists of contracted rent under the master lease agreements in relation to the Enlarged Portfolio which comprises Gross Rental Income (where applicable) less other property expenses (where applicable).
- (2) Based on an assumed annual net rental of approximately S\$3.85 million under the SHYG Master Lease, less property expenses.
- (3) Based on the unaudited consolidated financial statements of First REIT and its subsidiaries for the financial year ended 31 December 2015 (the "FY2015 Unaudited Consolidated Financial Statements").
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$1.165 per Unit on the SGX-ST on the date preceding this announcement.
- (6) Based on Units in issue as at the date preceding this announcement.

## 5. PRO FORMA FINANCIAL EFFECTS OF THE JOINT ACQUISITION

### 5.1 Pro Forma Financial Effects of the Joint Acquisition

#### FOR ILLUSTRATIVE PURPOSES ONLY:

**The Pro Forma Financial Effects are for illustrative purposes and does not represent First REIT's Financial Effects following completion of the Joint Acquisition.**

The pro forma financial effects of the Joint Acquisition presented below are **strictly for illustrative purposes only** and were prepared based on the FY2015 Unaudited Consolidated Financial Statements, assuming:

- (a) the SHYG Acquisition Cost, comprising the SHYG Purchase Consideration, the SHYG Acquisition Fee, as well as the professional and other fees and expenses, is S\$41.8 million, of which S\$41.4 million will be paid in cash and the balance of S\$0.4 million by way of issued Units;
- (b) S\$40.8 million of the cash component of the SHYG Acquisition Cost is funded by proceeds from debt; and
- (c) an assumed issued price of S\$1.1846 for the management fee and acquisition fee payable to Manager pursuant to Trust Deed paid in the form of new Units issued;
- (d) the accounting policies and methods of computation applied to the pro forma financials are consistent to those applied in the unaudited financial statements for the financial year ended 31 December 2015 and the accounting standards applicable to the date of the announcement;

- (e) the rental amount of SHYG is S\$3.85 million (Rp.37.73 billion), and the SHYG Master Lease Agreement provides for First REIT to receive the equivalent amount of Singapore dollars (i.e. S\$3.85 million) rental income in Indonesian Rupiah. As such, there will be no foreign exchange difference for the period as it cannot be reasonably estimated despite the existence of this forward rate. Hence, the fair value of this forward foreign exchange factor is not accounted for; and
- (f) the SHYG purchase consideration will be paid in cash via debt and the cost of debt is assumed to be 4.50% per annum.

## 5.2 Financial Year ended 31 December 2015

### Pro Forma DPU

The pro forma financial effects of the Joint Acquisition on the distribution per Unit (“DPU”) for First REIT’s financial year ended 31 December 2015 (“FY2015”), as if First REIT had purchased SHYG on 1 January 2015, and held and operated SHYG through to 31 December 2015, are as follows:

	FY2015	
	Before the Joint Acquisition <sup>(1)</sup>	After the Joint Acquisition
Distributable Income (S\$'000) <sup>(2)</sup>	61,923	62,916
Units in issue and to be issued <sup>(2)</sup>	750,028,566	750,591,169
DPU (cents) <sup>(2)</sup>	8.30	8.38

**Notes:**

(1) Based on the FY2015 Unaudited Consolidated Financial Statements.

(2) The Units in issue and to be issued do not include the 1,537,408 Units issued from 1 January 2016 to the date preceding the date of this announcement as well as 11,538,461 Units issued to the vendor of Kupang acquisition on 14 December 2015 as the vendor has waived their right to be entitled to participate in the distributable income accrued by First REIT from the date of issuance to 31 December 2015.

### Pro Forma NAV per Unit

The pro forma financial effects of the Joint Acquisition on the net asset value (“NAV”) per Unit as at 31 December 2015, as if First REIT had purchased SHYG on 31 December 2015, are as follows:

	As at 31 December 2015	
	Before the Joint Acquisition <sup>(1)</sup>	After the Joint Acquisition
NAV (S\$'000)	791,101	794,881
Units in issue and to be issued	761,567,027	763,667,038
NAV per Unit (S\$)	103.88	104.09

**Note:**

(1) Based on the FY2015 Unaudited Consolidated Financial Statements.

## Pro Forma capitalisation

The following table sets forth the pro forma capitalisation of First REIT as at 31 December 2015, as if First REIT had purchased SHYG on 31 December 2015.

	As at 31 December 2015	
	Actual	As adjusted for the Joint Acquisition
	(S\$'000)	(S\$'000)
<b>Short-term debt:</b>		
Unsecured	-	-
Secured	44,274	44,274
Total short-term debt	44,274	44,274
<b>Long-term debt:</b>		
Unsecured	99,383	99,383
Secured	298,908	339,724
Total long-term debt	398,291	439,107
Total Debt	442,565	483,381
Unitholders funds	791,101	794,881
<b>Total Capitalisation</b>	<b>1,233,666</b>	<b>1,278,262</b>

## 6. OTHER INFORMATION

### 6.1 Interests of Directors and Substantial Unitholders<sup>22</sup>

#### 6.1.1 Interests of Directors of the Manager

As at the date of this announcement, the details of the unitholdings of the directors of the Manager ("**Directors**") are as follows:

<sup>22</sup> "**Substantial Unitholders**" refers to First REIT Unitholders with an interest in more than 5.0% of all Units in issue.

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Mr Albert Saychuan Cheok	1,101,260	0.1443	-	-	1,101,260	0.1443
Mr Goh Tiam Lock	-	-	-	-	-	-
Mr Wong Gang	-	-	-	-	-	-
Mr Ketut Budi Wijaya	-	-	-	-	-	-
Dr Ronnie Tan Keh Poo @ Tan Kay Poo <sup>(2)</sup>	73,606	0.0096	11,119,581	1.4572	11,193,187	1.4668

**Notes:**

- (1) Percentage interest is based on 763,104,435 Units in issue as at the date of this announcement.
- (2) Dr Ronnie Tan Keh Poo is deemed to be interested in (i) 2,113,903 Units held by his nominee, OCBC Nominees Singapore Pte. Ltd., (ii) 5,798,531 Units held by his nominee, CIMB Securities (Singapore) Pte. Ltd., (iii) 2,840,541 Units held by his nominee, UOB Kay Hian Private Limited and (iv) 205,987 Units held by DBS Nominees Pte. Ltd., as the nominee of Dr Tan's spouse Mdm Law Deborah, and (v) 160,619 Units held by Mdm Law Deborah.

Mr Albert Saychuan Cheok and Mr Goh Tiam Lock are also independent non-executive directors of the LMIR Trust Manager. Save as disclosed above and based on information available to the Manager, none of the Directors has an interest, direct or indirect, in the Transactions.

**6.1.2 Interests of Substantial Unitholders**

As at the date of this announcement, the details of the unitholdings of the Substantial Unitholders are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Bridgewater International Ltd	167,187,367	21.91	-	-	167,187,367	21.91
PT Menara Tirta Indah	44,056,264	5.77	-	-	44,056,264	5.77
The Manager	42,123,241	5.52	-	-	42,123,241	5.52
PT Primakreasi Propertindo <sup>(2)</sup>	-	-	44,056,264	5.77	44,056,264	5.77
PT Sentra Dwimandiri <sup>(3)</sup>	-	-	167,187,367	21.91	167,187,367	21.91
The Sponsor <sup>(4)</sup>	-	-	253,366,872	33.20	253,366,872	33.20

**Notes:**

- (1) Percentage interest is based on 763,104,435 Units in issue as at the date of this announcement.
- (2) PT Primakreasi Propertindo is deemed to be interested in the Units held by its wholly-owned subsidiary, PT Menara Tirta Indah (please see table above).
- (3) PT Sentra Dwimandiri is deemed to be interested in the Units held by its subsidiary, Bridgewater International Ltd (please see table above).
- (4) The Sponsor is deemed to be interested in (i) the Units held by its indirect wholly-owned subsidiary, Bridgewater International Ltd (please see table above); (ii) the Units held by its indirect wholly-owned subsidiary, PT Menara Tirta Indah (please see table above); and (iii) the Units held by the Manager (please see table above).

As at the date of this announcement, the Sponsor, through its indirect wholly-owned subsidiaries Bridgewater International Ltd. and PT Menara Tirta Indah and through its 100.0% interest in the Manager, holds an aggregate indirect interest of 33.20% in First REIT and is deemed to be a Controlling Unitholder of First REIT.

## **6.2 Directors' Service Contracts**

No person is proposed to be appointed as a Director in relation to the Joint Acquisition or any other transactions contemplated in relation to the Joint Acquisition.

## **6.3 Existing Interested Person Transactions**

Prior to the date of this announcement, First REIT has not entered into any Interested Person Transactions, including leases, with the Sponsor and/or any associate of the Sponsor in the current financial year.

## **6.4 Opinion of the Audit Committee and Independent Financial Adviser**

Pursuant to Rule 917(4)(a)(ii) of the Listing Manual, the audit committee of the Manager, comprising Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Wong Gang (the "**Audit Committee**"), will obtain an opinion from Stirling Coleman Capital Limited, the independent financial adviser (the "**IFA**"), on whether or not the Joint Acquisition, the SHYG Master Lease, the LPJ Master Leases and the JVA are (a) on normal commercial terms and (b) prejudicial to the interests of First REIT and its minority Unitholders.

The Audit Committee will form its views on the Transactions after taking into account the opinion of the IFA.

## **7. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 50 Collyer Quay, #06-01, OUE Bayfront, Singapore 049321 from the date of this announcement up to and including the date falling three months after the date of the First REIT Unitholders' Circular to be issued for purposes of seeking approval of First REIT Unitholders for the Transactions<sup>23</sup>:

- (i) the Property CSPA (which contains the forms of the SHYG Master Lease Agreement and the New Property CSPA);
- (ii) the Share Purchase Agreement;
- (iii) the JVA;
- (iv) the Deed of Indemnity;
- (v) the full valuation report on the Property commissioned by the First REIT Trustee issued by W&R;
- (vi) the full valuation report on the Property commissioned by the Manager issued by Rengganis; and
- (vii) the FY2015 Unaudited Consolidated Financial Statements.

The Trust Deed will also be available for inspection at the registered office of the Manager

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<sup>23</sup> Prior appointment with the Manager (telephone: +65 6435 0168) will be appreciated.

for so long as First REIT continues to be in existence.

## **8. DOCUMENTS FOR INSPECTION**

The Unitholders' Circular, together with a notice of the EGM to be convened, will be despatched to First REIT Unitholders in due course after approval has been received from the SGX-ST in relation to the Unitholders' Circular.

By Order of the Board

Dr Ronnie Tan Keh Poo  
Chief Executive Officer  
Bowsprit Capital Corporation Limited  
(as manager of First Real Estate Investment Trust)  
(Company registration no. 200607070D)

3 February 2016

### **Important Notice**

The value of Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

This document 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 similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.