



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

ANNOUNCEMENT

PROPOSED ACQUISITION

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 PT Prima Labuan Bajo ("**PT PLB**"), a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of First REIT has on 7 November 2016 entered into a conditional sale and purchase agreement (the "**SHLB CSPA**") with PT Pancuran Intan Makmur (the "**Vendor**") in relation to the acquisition of Siloam Hospitals Labuan Bajo ("**SHLB**" and the acquisition of SHLB, the "**SHLB Acquisition**"). The Vendor is an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk, the sponsor of First REIT (the "**Sponsor**").

SHLB, which is located at Jl. Gabriel Gampur, RT.013/RW.005, Dusun V – Desa / Kelurahan Gorontalo – Kecamatan Komodo Kabupaten Manggarai Barat is a newly built stand-alone hospital with maximum capacity of 153 beds that commenced operations in mid-January 2016. SHLB comprises a three-storey stand-alone building with a total gross floor area ("**GFA**") of 7,604 square metres ("**sq m**"). SHLB is a Centre of Excellence for Emergency Medicine, Internal Medicine, and Neuroscience.

2. THE SHLB ACQUISITION

2.1 Structure of the SHLB Acquisition

The Manager is seeking to acquire SHLB for a purchase consideration of approximately Rp.188.00 billion (S\$20.00 million)¹, including the applicable land and building acquisition tax (*Bea Perolehan Hak Atas Tanah dan Bangunan*) ("**BPHTB**", and collectively, the "**SHLB Total Consideration**")² from the Vendor. First REIT will acquire SHLB through PT PLB, which is owned by SHLB Investment I Pte. Ltd. ("**SHLB I**") and SHLB Investment II Pte. Ltd. ("**SHLB II**") in the proportion 75.0% and 25.0% respectively. SHLB I is directly 100.0% owned by First REIT and SHLB II is directly 100.0% owned by SHLB I. First REIT will, upon acquiring SHLB, indirectly hold SHLB through PT PLB under one "Right to Build"

1 Based on the rupiah exchange rate of S\$1.00 to Rp.9,400, being the agreed rupiah exchange rate (the "**Agreed Rupiah Exchange Rate**") set out in the SHLB CSPA. Unless otherwise stated, all conversions of Rp. amounts into S\$ in this announcement shall be based on the Agreed Rupiah Exchange Rate and unless otherwise stated, all amounts in Rp. and S\$ in this announcement shall, where such amount exceeds one million, be rounded to one decimal place.

2 The SHLB Total Consideration is inclusive of the applicable BPHTB and exclusive of the value-added tax ("**VAT**") to be paid to the relevant tax office by PT PLB.

(*Hak Guna Bangunan* or “**HGB**”) title certificate³ which will expire on 11 May 2045.

Appendix A sets out a chart illustrating the structure under which SHLB is proposed to be held by First REIT upon completion of the SHLB Acquisition.

2.2 Valuation

Two independent property valuers, KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. (“**Rengganis**”) and KJPP Rinaldi, Alberth, Baroto & Partners (“**Alberth**”), have been appointed by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of First REIT (the “**Trustee**”) and the Manager respectively to value SHLB. The SHLB Total Consideration was arrived at on a willing-buyer willing-seller basis after taking into account the two independent valuations of SHLB by Rengganis and Alberth, which were commissioned by the Trustee and the Manager respectively to value SHLB.

The valuations were derived by Rengganis and Alberth using the income approach utilising the discounted cash flow method as the Property will be subject to a master lease agreement with the Sponsor (as master lessee of SHLB). This approach considers the subject property as an income producing property.

The following table sets out the appraised values of SHLB, the respective dates of such appraisal and the SHLB Total Consideration:

Appraised Value		SHLB Total Consideration (S\$ million)
By Rengganis as at 19 October 2016	By Alberth as at 19 October 2016	
(S\$ million)	(S\$ million)	
20.50	20.58	20.00

The SHLB Total Consideration represents a discount of 2.82% to the higher of the two independent valuations of SHLB and a discount of 2.63% to S\$20.54 million, which is the average of the two independent valuations of SHLB.

2.3 SHLB Acquisition Cost

The total cost of the SHLB Acquisition, comprising the (i) SHLB Total Consideration of S\$20.00 million; (ii) the acquisition fee of S\$200,000⁴ (the “**SHLB Acquisition Fee**”) payable to the Manager pursuant to the trust deed dated 19 October 2006 constituting First REIT (as amended) (the “**Trust Deed**”) which is payable in the form of units of First REIT (“**Units**”, and the SHLB Acquisition Fee payable in the form of Units, the “**SHLB Acquisition Fee Units**”), as well as (iii) the professional and other fees and expenses of approximately S\$552,000 in connection with the SHLB Acquisition, is estimated to be approximately S\$20.75 million (the “**SHLB Acquisition Cost**”).

3 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 titles 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.

4 Being 1.0% of the SHLB Total Consideration.

2.4 Method of Financing the SHLB Acquisition

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

2.5 Conditions Precedent for the Completion of the SHLB Acquisition

Completion of the sale and purchase of SHLB under the SHLB CSPA is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following:

- 2.5.1** there being no compulsory acquisition of the HGB and/or SHLB or any part of it, and no notice of an intended compulsory acquisition has been given, or is anticipated by the government or other competent authority;
- 2.5.2** there having been no breach of the representations, warranties, covenants and/or undertakings provided in the Transaction Documents (as defined in the SHLB CSPA) which, in the reasonable opinion of PT PLB, will or is likely to, among others, have an adverse effect on SHLB and/or affect or impair the effectiveness, legality, validity and/or enforceability of the sale and transfer of SHLB from the Vendor to PT PLB free of any encumbrances in accordance with the Transaction Documents;
- 2.5.3** the licences, authorisations, orders, consents and other approvals necessary for or in respect of the preparation, execution and implementation of the Transaction Documents have been obtained from the relevant parties and remain in full force and effect;
- 2.5.4** no law, statute, regulation or decision which would prohibit, restrict or materially delay or adversely affect the transactions contemplated in the Transaction Documents including the sale and purchase of SHLB having been proposed, enacted or taken by any governmental or official authority;
- 2.5.5** the receipt by the Trustee and PT PLB of certain legal opinions (in form or substance satisfactory to the Trustee) from the Vendor's legal counsel in relation to (i) the due incorporation and capacity of the Vendor and PT Wisma Jatim Propertindo ("**PT WJP**"), the party to the Deed of Indemnity, and (ii) the enforceability of the Transaction Documents (as defined in the SHLB CSPA);
- 2.5.6** the entry into the Deed of Indemnity and the SHLB Master Lease Agreement (each as defined below);
- 2.5.7** First REIT securing sufficient financing to undertake the SHLB Acquisition and the agreements for such financing not having been terminated and being unconditional in all respects;
- 2.5.8** the approval by unitholders of First REIT ("**Unitholders**") to be given at an extraordinary general meeting of Unitholders ("**EGM**") for the SHLB Acquisition and the SHLB Master Lease (as defined below);
- 2.5.9** the obtainment of all third party and corporate approvals by each of the Sponsor, the Vendor and PT WJP;

- 2.5.10 the obtainment of other approvals (if required) including those of the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited;
- 2.5.11 PT PLB and First REIT being satisfied with the results of due diligence (including but not limited to legal, financial, tax and building due diligence, including the building defects rectification and outstanding works (if any), and other forms of due diligence) which PT PLB and/or First REIT may consider to be relevant;
- 2.5.12 submission of a report of implementation of conditions and obligations as set out in the Vendor's environmental permit;
- 2.5.13 the issuance of a cover note by the relevant Notary stating, among others: (a) the validity or term of the HGB and (b) that there are no recordation of any encumbrances (including mortgage), seizure or dispute recorded in the land book in the authorised Land Office in relation to the HGB;
- 2.5.14 there being no adverse change to the financial condition of the Vendor and PT WJP or their ability to perform any of their obligations under the Transaction Documents (as defined in the SHLB CSPA); and
- 2.5.15 there being no adverse change to the financial condition of the Master Lessees (as defined below) or their ability to perform any of their obligations under the SHLB Master Lease Agreement.

2.6 Conditions Subsequent following the Completion of the SHLB Acquisition

Upon the completion of the SHLB Acquisition, Vendor has also undertaken, among others, to:

- 2.6.1 do any and all acts necessary to assist PT PLB in obtaining the (i) liquid waste disposal permit (*Izin Pembuangan Limbah Cair*); and (ii) Permit to Utilise Waste Water to be Applied to Soil (*Izin Pemanfaatan Air Limbah untuk Pemanfaatan ke Tanah*) to be duly and validly issued by the authorised relevant government authorities under the name of PT PLB not later than six months from completion; and
- 2.6.2 do any and all acts necessary to assist PT PLB in obtaining the Function Feasibility Certificate (*Sertipikat Laik Fungsi*) to be obtained from the relevant government institution in connection with the operation of the hospital and hazardous waste temporary storage permit (*Izin Penyimpanan Sementara Limbah B3*) for the hospital to be duly and validly issued by the authorised relevant government authorities under the name of PT PLB, in the event that implementing regulations and/or procedures (including the internal standard operating procedures) for their issuance is issued by the relevant government authority.

All costs, expenses, fees, taxes and other charges which may be incurred by PT PLB in connection with the above shall be borne by the Vendor.

2.7 Indemnity in relation to the SHLB CSPA

The Trustee has also entered into a deed of indemnity with PT WJP pursuant to which PT WJP will, subject to certain conditions, indemnify the Trustee against liabilities or damages suffered by the Trustee arising from the SHLB CSPA (the "**Deed of Indemnity**").

2.8 SHLB Master Lease

On completion of the SHLB Acquisition, PT PLB (as master lessor of SHLB) will enter into a master lease agreement (the “**SHLB Master Lease Agreement**”) with the Sponsor and PT Lintas Buana Jaya (the “**Siloam Lessee**”, a wholly owned subsidiary of PT Siloam International Hospitals Tbk, and together with the Sponsor as master lessees of SHLB, the “**Master Lessees**”) pursuant to which PT PLB will grant a lease in relation to SHLB (the “**SHLB Master Lease**”) to the Master Lessees for a lease term of 15 years, commencing from the date of completion of the SHLB Acquisition with an option to renew for a further term of 15 years exercisable at the option of the Master Lessees. Some of the key terms of the SHLB Master Lease Agreement are as follows:

2.8.1 SHLB Master Lease Agreement

(i) Base Rent

The SHLB Master Lease will be granted at an initial base rent of S\$1.85 million (Rp.17.39 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 five years from the commencement of the SHLB Master Lease (the “**Initial Five-Year Period**”), 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%. In addition, for each five-year period of the lease term commencing after the Initial Five-Year Period (i.e. from the 6th year to the 10th year and from the 11th year to the 15th year), the increase shall be subject to a further cap of 5.0% for each such five-year period. Rental escalation in relation to SHLB 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 2.0% over the 15-year period between 2001 and 2015) 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.9,400 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 invoices issued by PT PLB pursuant to the SHLB Master Lease Agreement. As a result of this formula stipulated in the SHLB 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. The further cap of 5.0% for each five-year period of the lease term commencing after the Initial Five-Year Period was commercially agreed between willing parties, and the Manager believes that this is

reasonable as it will allow the hospital to be in a better position to manage its cash flow through more stable rental payments over the long term. 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 for the Initial Five-Year Period of the SHLB Master Lease. No variable rent will be payable for the first five 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 Variable Rent for the sixth year and for subsequent years of the SHLB Master Lease will be based on the SHLB Gross Operating Revenue⁵ growth and will be calculated as described in sub-paragraph 2.7.1(iii). The Manager also wishes to note that the Base Rent will form the main bulk of the SHLB Total Rent⁶ which adequately achieves First REIT’s required rate of return. The Variable Rent will constitute only a small proportion of the SHLB 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. 9,400 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 invoices issued by PT PLB pursuant to the SHLB Master Lease Agreement. As a result of this formula stipulated in the SHLB 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.

At least two weeks prior to each quarterly rent payment date, the Sponsor shall give written notice to PT PLB of the apportionment of the Total Rent payable by the Sponsor and the Siloam Lessee in respect of such quarter.

(iii) **Computation of the Variable Rent for the Sixth Year of the SHLB Master Lease**

No variable rent will be payable for the Initial Five-Year Period of the SHLB Master Lease. For the sixth year and for subsequent years of the SHLB Master Lease, the variable rent payable will be computed as follows:

- where the SHLB Gross Operating Revenue for the preceding financial year exceeds the SHLB Gross Operating Revenue for the further preceding financial year by an amount that is 5.0% or more but less than 15.0%, the variable rent payable by the master lessee of the SHLB shall be equivalent to 0.75% of such excess amount;

5 “**SHLB Gross Operating Revenue**” means the gross operating revenue of the Siloam Lessee derived specifically from the Siloam Lessee’s healthcare and/or healthcare-related business carried on at SHLB, as audited for such period commencing 1 January and ending on 31 December of the same year (“**Fiscal Year**”).

6 “**SHLB Total Rent**” refers to the sum of the Base Rent and the Variable Rent.

- where the SHLB Gross Operating Revenue for the preceding financial year exceeds the SHLB Gross Operating Revenue for the further preceding financial year by an amount that is 15.0% or more but less than 30.0%, the variable rent payable by the master lessee of the SHLB shall be equivalent to 1.25% of such excess amount; and
- where the SHLB Gross Operating Revenue for the preceding financial year exceeds the SHLB Gross Operating Revenue for the further preceding financial year by an amount of 30.0% or more, the variable rent payable by the master lessee of the SHLB shall be equivalent to 2.0% of such excess amount.

For the avoidance of doubt, when the SHLB Gross Operating Revenue of the preceding financial year of the master lessee of the SHLB does not exceed the SHLB Gross Operating Revenue of the further preceding financial year by 5.0% or more, no Variable Rent will be payable.

2.8.2 Fixed Exchange Rate

The SHLB Total Rent shall be paid in Indonesian Rupiah. In respect of the Variable Rent, if the gross operating revenue on which the calculation of the Variable Rent is based is calculated in Indonesian Rupiah, the SHLB Total Rent will be paid according to the exchange rate of S\$1.00 to Rp.9,400 (which shall be fixed for the entire lease term).

2.8.3 Assignment/Subletting

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

The Master Lessees shall not sub-let SHLB without prior written notice to PT PLB, and the Master Lessees shall procure the sub-lessees' compliance with the SHLB Master Lease.

2.8.4 Maintenance and other Operating Expenses of SHLB

The Siloam Lessee will be responsible for:

- (i) all outgoings including, but not limited to, utility costs and property related taxes relating to SHLB;
- (ii) costs and expenses for the operation, maintenance and management of SHLB, and landscaping costs; and
- (iii) all capital expenses relating to SHLB for the first two years of the SHLB Master Lease.

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

2.8.5 Insurance of SHLB

At all times during the term of the SHLB Master Lease and during any period of holding over, the Siloam Lessee shall at its cost and expense, take out and keep in force the following insurance policies:

- (i) an insurance policy over all of the Master Lessees' property including any and all goods and stock-in-trade in SHLB 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 PT PLB and the Master Lessees to its full market insurable amount as assessed by PT PLB, damage to the building at SHLB and all parts thereof which the Siloam Lessee is obliged to keep in repair under the SHLB Master Lease. PT PLB 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 PT PLB and the Master Lessees against claims for personal injury, death or property damage or loss, arising out of all operations of the Master Lessees and its permitted occupiers in SHLB; and
- (iv) an insurance policy covering all of the Master Lessees' risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the Master Lessees at SHLB.

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

2.9 Interested Person 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) 33.17% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a "Controlling Unitholder"⁷ of First REIT and a "Controlling Shareholder"⁸ of the Manager respectively under both the Listing Manual of Singapore Exchange Securities Trading Limited (the "SGX-ST", and the Listing Manual of the SGX-ST, the "Listing Manual") and Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (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, and the Siloam Lessee, being an indirect subsidiary of the Sponsor (which in turn is a Controlling Unitholder of First REIT and a Controlling Shareholder of the Manager), is an Interested Person⁹ and Interested Party¹⁰ of First REIT.

7 "Controlling Unitholder" has the meaning ascribed to it in the Listing Manual and the Property Funds Appendix.

8 "Controlling Shareholder" has the meaning ascribed to it in the Listing Manual and the Property Funds Appendix.

9 "Interested Person" has the meaning ascribed to it in the Listing Manual.

10 "Interested Party" has the meaning ascribed to it in the Property Funds Appendix.

Given the SHLB Total Consideration of Rp.188.00 billion (S\$20.00 million) (which is 2.5% of the net tangible assets (“**NTA**”) and net asset value (“**NAV**”) respectively of First REIT as at 31 December 2015) and the value of the SHLB Master Lease of approximately S\$27.8 million (which is 3.5% of the NTA and NAV respectively of First REIT as at 31 December 2015), the aggregate value of the SHLB Acquisition and the SHLB Master Lease will in aggregate exceed (i) 5.0% of First REIT’s latest audited NTA and (ii) 5.0% of First REIT’s latest audited NAV.

As such, the SHLB Acquisition and the SHLB Master Lease will constitute Interested Person Transactions¹¹ under Chapter 9 of the Listing Manual and also an Interested Party Transactions¹² under paragraph 5 of the Property Funds Appendix for which Unitholders’ approval is required.

Accordingly, the approval of Unitholders will be sought for the SHLB Acquisition and the SHLB Master Lease.

3. RATIONALE FOR THE SHLB ACQUISITION

The Manager believes that the SHLB Acquisition and the SHLB Master Lease will bring, among others, the following key benefits to Unitholders:

3.1 Opportunity to purchase an attractive and high quality property in a new locality of Labuan Bajo, West Manggarai Regency, East Nusa Tenggara Indonesia, at a price below valuation

The SHLB Acquisition represents an opportunity for First REIT to acquire a hospital that is attractive and high quality in a strategic location in Indonesia.

Previously a small fishing village, Labuan Bajo has now developed into an attractive tourist destination due to the diverse marine life in the area, which also serves as a launching point for trips to Komodo Island and Rinca Island.

SHLB is well-positioned for the low to middle income segment of the healthcare market.

Additionally, SHLB will be acquired at a discount of 2.63% to the average of the independent valuations of SHLB by Rengganis and Alberth.

3.2 Increased income stability of First REIT through the SHLB Master Lease with a term of 15 years and an increase in First REIT’s weighted average lease to expiry

The SHLB Master Lease will be beneficial to First REIT as SHLB is expected to provide stability to First REIT’s Gross Rental Income¹³ 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 SHLB Master Lease Agreement would also provide locked-in organic growth in First REIT’s cash flow. To ensure stability in First REIT’s Gross Rental Income from SHLB, security deposits equivalent to six months of SHLB’s annual rental payable (amounting to S\$0.93 million) will be provided to First REIT

11 “Interested Person Transaction” has the meaning ascribed to it in the Listing Manual.

12 “Interested Party Transaction” has the meaning ascribed to it in the Property Funds Appendix.

13 “Gross Rental Income” refers to the contracted rent under the master lease agreements in relation to SHLB, SHTS and the portfolio of properties currently held by First REIT, which comprises base rent and variable rent (where applicable).

by the Master Lessees in the form of bankers' guarantees. Such security deposit amounts will be adjusted at relevant rent review dates.

The SHLB 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**")¹⁴ are between 10 to 15 years. After the completion of the SHLB Acquisition, First REIT will benefit from the increase in the Enlarged Portfolio's¹⁵ weighted average lease to expiry based on secured Gross Rental Income with SHLB contributing 1.8% of First REIT's total Gross Rental Income under the SHLB Master Lease Agreement. The weighted average lease to expiry of the Enlarged Portfolio will increase from approximately 10.8 years from that of the Existing Portfolio as at 31 December 2015 to approximately 10.9 years after the completion of the SHLB Acquisition.

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 1.6% from S\$1.27 billion (as at 31 December 2015) to S\$1.29 billion after the completion of the SHLB Acquisition. The value of First REIT's Deposited Property¹⁶ is expected to increase by 1.5% from S\$1.32 billion as at 31 December 2015 to S\$1.34 billion after the completion of the SHLB Acquisition and there will also be a 2.5% increase in the total GFA from 306,707 sq m before the SHLB Acquisition to 314,311 sq m after the completion of the SHLB Acquisition. The maximum number of hospital beds for the Indonesia properties will increase by 4.7% from 3,283 to 3,436.

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 SHLB Acquisition is expected to benefit 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 SHLB will also enjoy greater operating synergies in the long term which would indirectly benefit First REIT through higher variable rent and potential capital appreciation.

14 "**Existing Portfolio**" 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 Lentor Residence; and its property in the Republic of South Korea, Sarang Hospital.

15 "**Enlarged Portfolio**" consists of SHLB and the Existing Portfolio.

16 "**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.

3.4 The SHLB 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

SHLB is located in Indonesia in which First REIT already operates and is an extension of First REIT's Existing Portfolio. Located in Labuan Bajo within the West Manggarai Regency, it is situated along Jl. Gabriel Gampur, approximately one kilometre away from Labuan Bajo Airport. Prior to the commencement of operations of SHLB, there was no hospital facility in Labuan Bajo. Labuan Bajo is a busy tourist location which is popular as a launching point for Komodo Island and Rinca Island, as well as snorkelling and diving sites around the surrounding islands.

SHLB is modern and is fitted with medical facilities which include, among others, emergency rooms, operating theatres, delivery rooms, outpatient clinics, inpatient services, isolation rooms, intensive care unit, neonatal intensive care unit, X-ray machines, ultrasonography, 3-dimension echocardiography and 16-slice CT scanner. It is a Centre of Excellence for Emergency Medicine, Internal Medicine and Neuroscience, while various medical services offered include mammography, cardiology, dentistry, dermatology, general surgery, haemodialysis, internal medicine, paediatrics, obstetrics and gynaecology, medical rehabilitation and physiotherapy, radiology and trauma.

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

3.5 Increase in attractiveness of the Enlarged Portfolio given the reduction in the weighted average age of the properties in the Enlarged Portfolio given that SHLB is newly built

As at 31 December 2015, the weighted average age of properties of the Enlarged Portfolio will decrease by approximately 2.2% from 9.3 years from that of the Existing Portfolio to 9.1 years after the completion of the SHLB 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 SHLB 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 SHLB 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 Unitholders, unless such transaction is in the ordinary course of First REIT’s business.

None of the relative figures in relation to the SHLB Acquisition computed on the bases set out above exceed 20.0%. Furthermore, the SHLB 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 purposes of illustration to Unitholders, the relative figures for the SHLB 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:	SHLB Acquisition	First REIT	Relative Figure
Net Property Income ⁽¹⁾	S\$1.81 million ⁽²⁾	S\$99.27 million ⁽³⁾	1.82%
SHLB Total Consideration against First REIT’s market capitalisation	S\$20.00 million ⁽⁴⁾	First REIT’s market capitalisation: S\$1,008.86 million ⁽⁵⁾⁽⁶⁾	1.98%

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\$1.85 million under the master lease of SHLB, less property expenses.
- (3) Based on the audited consolidated financial statements of First REIT and its subsidiaries for the financial year of 2015 (the “**FY2015 Audited Consolidated Financial Statements**”).
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$1.310 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 SHLB ACQUISITION

5.1 Pro Forma Financial Effects of the SHLB Acquisition

FOR ILLUSTRATIVE PURPOSES ONLY:

The Pro Forma Financial Effects are for illustrative purposes and do not represent First REIT’s actual financial performance following completion of the SHLB Acquisition.

The pro forma financial effects of the SHLB Acquisition presented below are **strictly for illustrative purposes only** and were prepared based on:

- (i) the FY2015 Audited Consolidated Financial Statements;
- (ii) the unaudited financial statements of First REIT and its subsidiaries for the nine months ended 30 September 2016 (“**9M2016**” and the unaudited financial statements of First REIT and its subsidiaries for 9M2016, “**9M2016 Unaudited Consolidated Financial Statements**”), and

assuming:

- (a) the SHLB Acquisition Cost, comprising the SHLB Total Consideration, the SHLB Acquisition Fee, as well as the professional and other fees and expenses, is S\$20.75 million, of which S\$20.55 million will be paid in cash and the balance of S\$0.2 million by way of issued Units;
- (b) S\$17.4 million of the cash component of the SHLB Acquisition Cost is funded by proceeds from debt; and
- (c) an assumed issue price of S\$1.3572 for the management fee and SHLB Acquisition Fee payable to the Manager pursuant to the 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 FY2015 Audited Consolidated Financial Statements and the accounting standards applicable to the date of the announcement;
- (e) the rental amount of SHLB is S\$1.85 million million (Rp.17.39 billion), and the SHLB Master Lease Agreement provides for First REIT to receive the equivalent amount of Singapore dollars (i.e. S\$1.85 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 SHLB Total Consideration will be paid in cash via debt and internal cash and the cost of debt is assumed to be 4.50% per annum.

5.2 FY2015

Pro Forma DPU

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

	FY2015	
	Before the SHLB Acquisition⁽¹⁾	After the SHLB Acquisition
Distributable Income (S\$'000)	61,923	62,499
Units in issue and to be issued ⁽²⁾	750,028,566	750,213,063
DPU (cents) ⁽²⁾	8.30	8.33

Notes:

- (1) Based on the FY2015 Audited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 8,556,449 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 vendors of Siloam Hospitals Kupang as the vendors have waived their rights to be entitled to participate in the distributable income accrued by First REIT from the date of issuance of such Units to 31 December 2015.

Pro Forma NAV per Unit

The pro forma financial effects of the SHLB Acquisition on the NAV per Unit as at 31 December 2015, as if First REIT had purchased SHLB on 31 December 2015, are as follows:

	As at 31 December 2015	
	Before the SHLB Acquisition ⁽¹⁾	After the SHLB Acquisition
NAV (S\$'000)	791,101	791,129
Units in issue and to be issued	761,567,027	770,307,973 ⁽²⁾
NAV per Unit (S\$)	103.88	102.70

Notes:

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

(2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the SHLB Acquisition Fee.

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 SHLB on 31 December 2015.

	As at 31 December 2015	
	Actual ⁽¹⁾	As adjusted for the SHLB Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	-	-
Secured	44,274	44,274
Total short-term debt	44,274	44,274
Long-term debt:		
Unsecured	99,383	99,383
Secured	298,908	316,313
Total long-term debt	398,291	415,696
Total Debt	442,565	459,970
Unitholders funds	791,101	791,129
Total Capitalisation	1,233,666	1,251,099

Note:

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

5.3 9M2016

Pro Forma DPU

The pro forma financial effects the SHLB Acquisition on the DPU for 9M2016, as if First REIT had purchased SHLB on 1 January 2016, and held and operated SHLB through to 30 September 2016, are as follows:

	9M2016	
	Before the SHLB Acquisition ⁽¹⁾	After the SHLB Acquisition
Distributable Income (S\$'000)	48,778	49,210
Units in issue and to be issued	769,536,342	770,307,973
DPU (cents)	6.34	6.39

Note:

(1) Based on the 9M2016 Unaudited Consolidated Financial Statements.

Pro Forma NAV per Unit

The pro forma financial effects of the SHLB Acquisition on the NAV per Unit as at 30 September 2016, as if First REIT had purchased SHLB on 30 September 2016, are as follows:

	As at 30 September 2016	
	Before the SHLB Acquisition ⁽¹⁾	After the SHLB Acquisition
NAV (S\$'000)	792,089	792,117
Units in issue and to be issued	769,536,342	770,307,973 ⁽²⁾
NAV per Unit (S\$)	102.93	102.83

Notes:

(1) Based on the 9M2016 Unaudited Consolidated Financial Statements.

(2) The number of Units is arrived at after taking into account the issuance of new Units in payment of the SHLB Acquisition Fee.

Pro Forma capitalisation

The following table sets forth the pro forma capitalisation of First REIT as at 30 September 2016, as if First REIT had purchased SHLB on 30 September 2016.

As at 30 June 2016

	Actual⁽¹⁾	As adjusted for the SHLB Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	-	-
Secured	-	-
Total short-term debt	-	-
Long-term debt:		
Unsecured	109,491	109,491
Secured	286,554	303,959
Total long-term debt	396,045	413,450
Total Debt	396,045	413,450
Unitholders funds	792,089	792,117
Perpetual securities holders' fund	60,019	60,019
Total Capitalisation	1,248,153	1,265,586

Note:

(1) Based on the 9M2016 Unaudited Consolidated Financial Statements.

6. OTHER INFORMATION

6.1 Interests of Directors and Substantial Unitholders¹⁷

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:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	% ⁽¹⁾
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾		
Mr Albert Saychuan Cheok	1,140,900	0.1481	-	-	1,140,900	0.1481
Mr Goh Tiam Lock	-	-	-	-	-	-
Mr Wong Gang	-	-	-	-	-	-
Mr Ketut Budi Wijaya	-	-	-	-	-	-
Dr Ronnie Tan Keh Poo @ Tan Kay Poo ⁽²⁾	90,493	0.0118	11,687,795	1.5177	11,778,288	1.5295

¹⁷ "**Substantial Unitholders**" refers to Unitholders with an interest in more than 5.0% of all Units in issue.

Notes:

- (1) Percentage interest is based on 770,123,476 Units in issue as at the date of this announcement.
- (2) Dr Ronnie Tan Keh Poo is deemed to be interested in (i) 690,390 Units held by his nominee, OCBC Nominees Singapore Pte. Ltd., (ii) 4,963,946 Units held by his nominee, CIMB Securities (Singapore) Pte. Ltd., (iii) 2,151,853 Units held by his nominee, UOB Kay Hian Private Limited, (iv) 3,500,000 Units held by Maybank Kim Eng Securities Pte. Ltd., (v) 216,617 Units held by DBS Nominees Pte. Ltd., as the nominee of Dr Tan's spouse, Mdm Law Deborah, and (vi) 164,989 Units held by Mdm Law Deborah.

Save as disclosed above and based on information available to the Manager, none of the Directors has an interest, direct or indirect, in the SHLB Acquisition and the SHLB Master Lease.

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	%(⁽¹⁾)
	No. of Units	%(⁽¹⁾)	No. of Units	%(⁽¹⁾)		
Bridgewater International Ltd	167,187,367	21.71	-	-	167,187,367	21.71
PT Menara Tirta Indah	44,056,264	5.72	-	-	44,056,264	5.72
The Manager	44,227,795	5.74	-	-	44,227,795	5.74
PT Primakreasi Propertindo ⁽²⁾	-	-	44,056,264	5.72	44,056,264	5.72
PT Sentra Dwimandiri ⁽³⁾	-	-	167,187,367	21.71	167,187,367	21.71
The Sponsor ⁽⁴⁾	-	-	255,471,426	33.17	255,471,426	33.17

Notes:

- (1) Percentage interest is based on 770,123,476 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 33.17% 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 SHLB Acquisition or any other transactions contemplated in relation to the SHLB Acquisition.

6.3 Existing Interested Person Transactions

Prior to the date of this announcement, save for the Joint Acquisition¹⁸, 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 SHLB Acquisition and the SHLB Master Lease 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 SHLB Acquisition and the SHLB Master Lease 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 Unitholders’ Circular seeking approval of Unitholders for the SHLB Acquisition and the SHLB Master Lease¹⁹:

- (i) the SHLB CSPA (which contains the form of the SHLB Master Lease Agreement);
- (ii) the Deed of Indemnity;
- (iii) the full valuation report on the SHLB issued by Rengganis;
- (iv) the full valuation report on the SHLB issued by Alberth;
- (v) the FY2015 Audited Consolidated Financial Statements; and
- (vi) the 9M2016 Unaudited Consolidated Financial Statements.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as First REIT continues to be in existence.

18 On 3 February 2016, Icon1 Holdings Pte. Ltd., a wholly-owned subsidiary of First REIT, entered into a conditional sale and purchase agreement in connection with the proposed joint acquisition with Lippo Malls Indonesia Retail Trust, of an integrated development (the “**Yogyakarta Property**”) comprising a hospital component known as Siloam Hospitals Yogyakarta and a retail mall component known as Lippo Plaza Jogja (the “**Joint Acquisition**”), and the Manager intends to seek the separate approval of Unitholders for the Joint Acquisition as soon as practicable (see First REIT’s announcements made on 3 February 2016 and 15 June 2016 for further details).

19 Prior appointment with the Manager (telephone: +65 6435 0168) will be appreciated.

8. FURTHER DETAILS

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

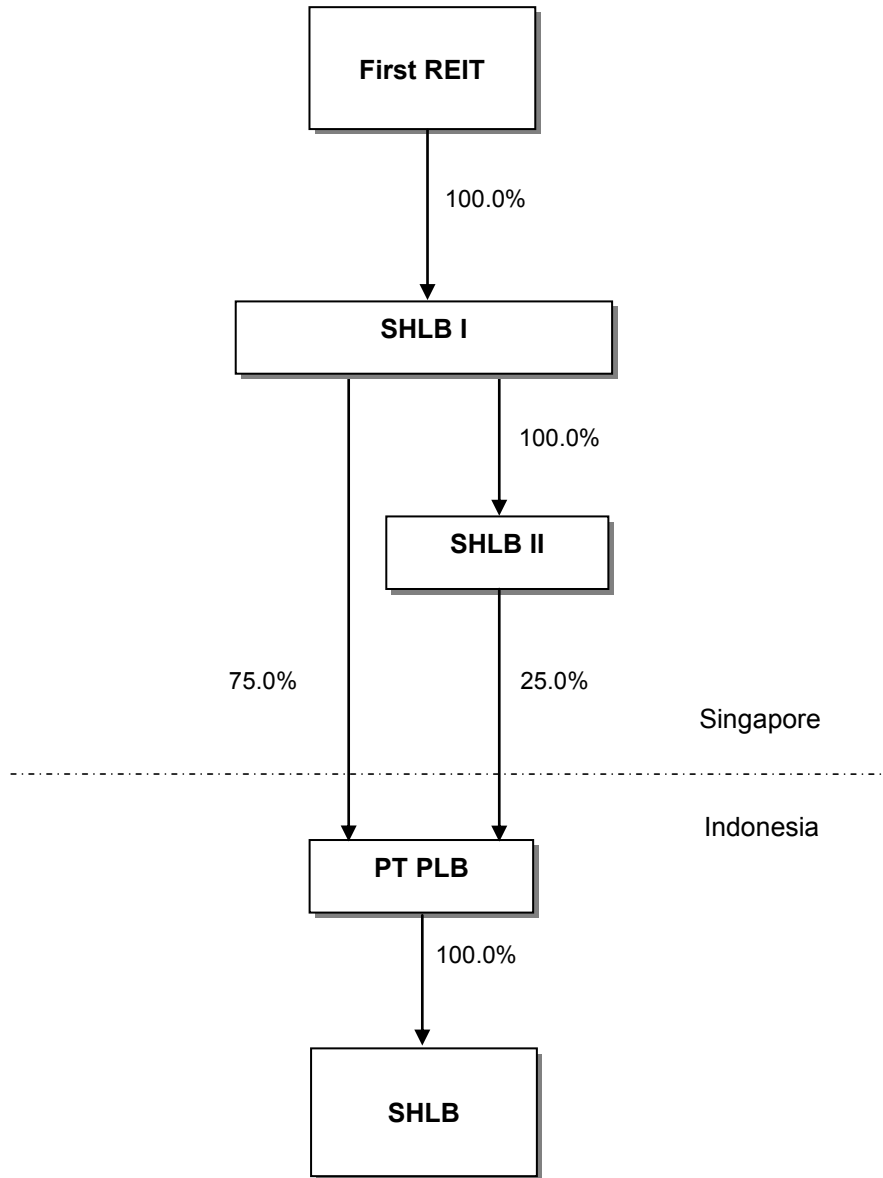
By Order of the Board

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

7 November 2016

APPENDIX A

Chart illustrating the structure under which SHLB is proposed to be held by First REIT upon completion of the SHLB Acquisition



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.