

Response to questions on First REIT from Securities Investors' Association (SIAS)

13 April 2017

First REIT has received questions from Securities Investors Association (Singapore) relating to the FY 2016 Annual Report as part of their initiative to improve the quality of Annual General Meetings. Our responses to the questions are as follows:

<p>Q1.</p>	<p>The proposed joint acquisition of an integrated development, comprising a hospital and a retail mall, in Yogyakarta, Indonesia, was mutually terminated in January 2017 (page 11 of the annual report - CEO's Message). It was also disclosed that "both parties intend to continue with the transaction on mutually agreeable terms upon approval of all relevant licenses (expected to be in the later part of 2017) and after the asset enhancement works".</p> <p>a) Has the REIT manager evaluated the other 42 hospitals in the Sponsor's pipeline which First REIT has the right-of-first-refusal to acquire? Which of the assets would be more attractive to the REIT at this point?</p> <p>b) Given that the acquisition of Siloam Hospitals Yogyakarta has been delayed, can the manager update unitholders on the timeline of its long term growth strategy?</p> <p>c) Has the manager re-evaluated the REIT's assets outside of Indonesia? Currently, the REIT derives 3.5% and 0.9% of its rental income from Singapore and South Korea respectively.</p>
	<p><u>Response</u></p> <p>The Trust will consider specific pipeline of properties when they are ready to be acquired. At this point other than the Yogyakarta property, the Trust is also targeting to acquire Siloam Hospitals Buton and Siloam Hospitals Bogor in 2017. Going forward, First REIT will continue to strengthen its asset size and enhance the value of existing assets to maximise returns to Unitholders.</p> <p>Indonesia will continue to be First REIT's focal market for growth, especially with its robust healthcare growth in the country and rising demand for private healthcare services. In addition, First REIT is able to leverage on the Sponsor's healthy pipeline of over 40 hospitals to which First REIT has the right of first refusal to acquire.</p> <p>We are always looking for yield-accretive assets in Asia to acquire. We will consider these opportunities when they arise after proper due diligence, should they meet our investment criteria.</p>
<p>Q2.</p>	<p>The Monetary Authority of Singapore has revised the Property Funds Appendix of the Code on Collective Investment Schemes with effect from 1 January 2016 such that the aggregate leverage should not exceed 45% of the fund's deposited property. The REIT's debt-to-property ratio is at 31.1% (as at 31 December 2016), a decrease from the aggregate leverage of 34.0% last year (page 5 – Financial highlights).</p> <p>a) With the change of the aggregate leverage to 45%, has the REIT manager reviewed the REIT's current capital management policy?</p> <p>b) Is the REIT inclined to, or in a position to, increase its aggregate leverage to a level nearer to the 45% limit set by the Property Fund Appendix?</p> <p>In the REIT's presentation to analysts, the REIT has listed available funding options including:</p> <p><i>a. debt (including bond, secured term loans and medium term notes); and</i></p> <p><i>b. equity (private placement, payment to vendor, perpetual securities and distribution reinvestment plan)</i></p> <p>c) What is the REIT's targeted capital structure following the issue of S\$60 million of subordinated perpetual securities in 2016?</p>

	<p><u>Response</u> The Trust has adopted a prudent capital management approach and has always aimed to keep our gearing around 35% in the long term.</p> <p>As at 31 March 2017, our gearing was 31.0%, this gives us ample debt headroom for acquisition with the revised regulatory gearing limit of 45%.</p> <p>We will consider various options to raise funds through a combination of debt and equity (including the Distribution Reinvestment Plan and perpetual securities) and will review each option when the need arises. We target to have a balanced debt and equity structure, keeping our gearing below the regulatory limit of 45%.</p>
<p>Q3.</p>	<p>Following the changes to the criteria of the definition of an “Independent Director” under the amended Securities and Futures (Licensing and Conduct of Business) Regulations (Regulation 13F), an independent director has to satisfy all of the following:</p> <ul style="list-style-type: none"> <i>(a) independent from any management and business relationship with the REIT manager and the REIT;</i> <i>(b) independent from any substantial shareholder of the REIT manager and from any substantial unitholder of the REIT; and</i> <i>(c) has not served on the Board of the REIT manager for a continuous period of nine years or longer.</i> <p><i>In the Corporate Governance Report (page 37), the board has acknowledged that the definition of “Independent Director” will be applicable to the Manager after the forthcoming AGM of First REIT.</i></p> <ul style="list-style-type: none"> a) Can shareholders understand the impact of the change in the definition of an “Independent director” to First REIT? b) What are the board’s plans to ensure that there is a smooth transition following the amendments to the Securities and Futures (Licensing and Conduct of Business) Regulations? c) What is the search and nomination process to identify new directors?
	<p><u>Response</u> Both Mr Albert Saychuan Cheok (Chairman and Independent Director) and Mr Goh Tiam Lock (Independent Director) have served on the Board of Bowsprit Capital Corporation Limited (“Bowsprit”) for a continuous period of more than nine years. With the enhanced regulatory requirements on independence issued by the Monetary Authority of Singapore, both Mr Cheok and Mr Goh have stepped down from the Board on 17 April 2017.</p> <p>As part of succession planning, Bowsprit aims to appoint two Independent Directors to the Board. Mr Tan Chuan Lye was recently appointed as Independent Director on 5 April 2017. Bowsprit is in the process of identifying another suitable candidate.</p> <p>With Mr Tan’s appointment, there are two Independent Directors out of four members on the Board, meeting the minimum independence requirement for board composition. Bowsprit will continue to meet this independence requirement for board composition.</p> <p>The Board will review and assess the credentials and relevant work experience of the new directors to ensure alignment of required skills and knowledge. Bowsprit may engage the services of a professional recruitment agency or leverage on business contacts to find the right candidates.</p>