



(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 SHButon Investment I Pte. Ltd. ("**Buton1**"), a limited liability company incorporated in Singapore and a wholly-owned subsidiary of First REIT has on 20 July 2017 entered into a conditional sale and purchase agreement (the "**Property CSPA**") with PT Andromeda Sakti (the "**Vendor**") in relation to the acquisition of Siloam Hospitals Buton ("**SHBN**") and Lippo Plaza Buton ("**LPB**", and together with SHBN, the "**Property**" and the acquisition of the Property, the "**Buton Acquisition**"). The Vendor is an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk, the sponsor of First REIT (the "**Sponsor**").

SHBN, which is located at Jl. Sultan Hasanuddin no. 54 and 58, Bau Bau, Southeast Sulawesi, Indonesia comprises a newly built three-storey hospital with a maximum capacity of 160 beds that commenced operations in April 2016 and ancillary healthcare-related space. SHBN has a total gross floor area ("**GFA**") of 10,796 square metres ("**sq m**"). SHBN is a Centre of Excellence¹ for Emergency & Trauma.

LPB, which is located at Jl. Sultan Hasanuddin no. 50 and 52, Bau Bau, Southeast Sulawesi, Indonesia is a newly built, stand-alone single storey retail mall which commenced operations in December 2015. LPB has a total GFA of 11,138 sq m. LPB provides complementary amenities to the visitors and patients of SHBN. In addition, SHBN is directly linked and integrated with LPB.

As Indonesian Agrarian Law does not allow a foreign entity or individual to directly own Indonesian real estate under a *Hak Guna Bangunan* (Right to Build) ("**HGB**") title, the Property CSPA provides that Buton1 has the right to nominate an Indonesian company to which all of Buton1's rights and obligations under the Property CSPA will be novated pursuant to a novation agreement ("**Novation Agreement**"). To this end, the Indonesian company which Buton1 intends to novate the Property CSPA to is PT Buton Bangun Cipta, a new Indonesian limited liability company that has recently been incorporated ("**IndoCo**") and which is wholly-owned by Buton1 and Buton1's wholly-owned subsidiary, SHButon Investment II Pte. Ltd. ("**Buton2**"). Buton2 is a company incorporated in Singapore for a nominal consideration of S\$1.00. Buton1 and Buton2 will respectively own 75.0% and 25.0% of the issued share capital of IndoCo.

1 The term "**Centre of Excellence**" is used to describe a particular area of medical specialisation, proficiency and excellence, with the relevant specialist doctors, nursing staff and state-of-the-art medical equipment and facilities, at a hospital.

2. THE BUTON ACQUISITION

2.1 Structure of the Acquisition

The Manager is seeking to acquire the Property for a purchase consideration of approximately Rp273.60 billion (S\$28.50 million)², including the applicable land and building acquisition tax (*Bea Perolehan Hak Atas Tanah dan Bangunan*) (“**BPHTB**”, and collectively, the “**Buton Total Consideration**”)³ from the Vendor.

The Vendor had entered into a Build, Operate and Transfer (“**BOT**”) agreement⁴ with the Government of Buton Regency (“**BOT Grantor**”) dated 16 June 2014 (as amended) (the “**BOT Agreement**”) pursuant to which the Vendor (as the BOT grantee) (the “**BOT Grantee**”) was granted certain rights in relation to a parcel of land owned by the BOT Grantor including the right to obtain a HGB title over such land. The BOT Agreement covers a land area of 33,367 sq m, on which four HGB title certificates were granted to the Vendor. First REIT will, upon acquiring the Property, indirectly hold the Property through the IndoCo under two of the HGB title certificates⁵, both of which will expire on 8 March 2042, covering a land area of 21,874 sq m. The BOT period provided for under the BOT Agreement is 30 years from the execution date of the BOT Agreement and will expire

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- 2 Based on the rupiah exchange rate of S\$1.00 to Rp.9,600, being the agreed rupiah exchange rate (the “**Agreed Rupiah Exchange Rate**”) set out in the Property 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.
- 3 The Buton 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 the IndoCo.
- 4 A BOT scheme is a common structure in Indonesia for the following reasons:
- (a) freehold land in Indonesia may not be owned by companies (whether Indonesian or foreign-owned) or by foreign individuals. Under Indonesian land law, the closest form of land title to an internationally recognised concept of “freehold” title is *Hak Milik* or “Right of Ownership”. A *Hak Milik* title is available only to Indonesian individuals and certain Indonesian legal entities such as government banks and religious and social institutions appointed by the relevant Indonesian government authorities;
 - (b) where ownership of the land is transferable, instead of transferring the ownership of the land, the land owner may prefer to use the BOT Scheme for commercial reasons (e.g. the land owner may not intend to transfer the ownership of the land because the land is located at commercially strategic locations or has historical value, or the land owner may have limited financial capability to develop the land). If the BOT grantor is an Indonesian Government that has the right over parcels of land under a Right to Use (*Hak Pakai*) or Right to Manage (*Hak Pengelolaan*), the BOT grantor may prefer to enter into a BOT agreement with a BOT grantee who are usually property developers with strong financial support and proven track records and may give rights to such BOT grantee to construct and operate the buildings over its land under a BOT Scheme; and
 - (c) a BOT grantee may prefer to use the BOT Scheme because the costs for obtaining the build, operate and transfer rights could be considered as more price-feasible and cashflow-effective as compared to an outright purchase of the land and furthermore, by way of a BOT Scheme, a BOT grantee may be granted with rights to obtain a land title in the form of Right to Build (*Hak Guna Bangunan*) over the Right to Manage (*Hak Pengelolaan*) owned by the BOT grantor.
- 5 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.

on 16 June 2044. If the BOT Grantor does not extend the BOT period after its expiry, even though the HGB title has been extended beyond 8 March 2042, the BOT Grantee will still be bound by the provisions under the BOT Agreement which require the BOT Grantee to return the BOT object to the BOT Grantor on the expiry date of the BOT period.

Appendix A sets out a chart illustrating the structure under which the Property is proposed to be held by First REIT upon completion of the Buton 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 the Property. The Buton Total Consideration was arrived at on a willing-buyer willing-seller basis after taking into account the two independent valuations of the Property by Rengganis and Alberth, which were commissioned by the Trustee and the Manager respectively to value the Property.

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 master lease agreements with the Sponsor and the Siloam Lessee (as defined below). This approach considers the subject property as an income producing property.

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

Appraised Value		Buton Total Consideration (S\$ million)
By Rengganis as at 1 May 2017 (S\$ million)	By Alberth as at 1 May 2017 (S\$ million)	
28.50	29.20	28.50

The Buton Total Consideration represents a discount of 2.40% to the higher of the two independent valuations of the Property and a discount of 1.21% to S\$28.85 million, which is the average of the two independent valuations of the Property.

2.3 Buton Acquisition Cost

The total cost of the Buton Acquisition, comprising the (i) Buton Total Consideration of Rp.273.60 billion (S\$28.50 million); (ii) the acquisition fee of S\$285,000⁶ (the "**Buton 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 Buton Acquisition Fee payable in the form of Units, the "**Buton Acquisition Fee Units**"), as well as (iii) the professional and other fees and expenses of approximately S\$650,000 in connection with the Acquisition, is estimated to be approximately S\$29.44 million (the "**Buton Acquisition Cost**").

⁶ Being 1.0% of the Buton Total Consideration.

2.4 Method of Financing the Buton Acquisition

The Buton Total Consideration will be paid in cash. The cash portion of the Buton 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 Buton Acquisition

Completion of the sale and purchase of the Property under the Property 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 Property or any part of it, and no notice of an intended compulsory acquisition of the Property or any part of it has been given or is anticipated by the government or other competent authority;
- 2.5.2** there having been no breach of any of the representations, warranties, covenants and/or undertakings provided in the Property CSPA, Deed of Indemnity (defined below), Buton Master Lease Agreements (defined below) and any document executed or entered into pursuant or ancillary thereto ("**Transaction Documents**") which, in the reasonable opinion of the IndoCo, will or is likely to (a) have an adverse effect on the Property, (b) affect or impair the effectiveness, legality, validity and/or enforceability of the sale and transfer of the Property from the Vendor to the IndoCo, free of any encumbrance 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) adversely affect the performance of obligations of the Vendor group members under any Transaction Document, (e) affect or impair the rights, entitlements, authorities and/or benefits of the IndoCo and its group member under any Transaction Documents, and/or (f) affect or impair the legal title and beneficial ownership of the Property by the Vendor prior to the completion of the Buton Acquisition ("**Completion**");
- 2.5.3** the requirements, licenses, authorisations, orders, confirmations, consents, permissions, registrations and other approvals including third party approval(s) necessary for or in respect of the preparation, execution and implementation of the Transaction Documents including for the performance of its obligations under the Transaction Documents and the consummation of the transactions contemplated by the Transaction Documents, based on the articles of association of the Vendor, Sponsor, the Siloam Lessee (as defined below), and PT Wisma Jatim Propertindo ("**PT WJP**"), licenses, permits, deed, the applicable laws and regulation in the Republic of Indonesia and/or other document and/or agreement to which the Vendor, Sponsor, Siloam Lessee (as defined below), and/or PT WJP is a party or to which its assets (including the Property) are bound or any part thereof have been obtained from the relevant parties (including governmental or official authorities, courts or other regulatory bodies) on terms satisfactory to the IndoCo and such licenses, authorisations, orders, confirmations, consents, permissions, registrations and other approvals 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 the Property and/or the granting of the new HGB certificates (the “**SHGB**”) to the IndoCo pursuant to the Property CSPA having been proposed, enacted or taken by any governmental or official authority;
- 2.5.5** the receipt of the IndoCo on the following evidence report or submission of report and/or periodic checking/examination results about:
- (a) Environmental License;
 - (b) Wastewater Disposal Permit to the Source or Area Water for LPB;
 - (c) Wastewater Disposal Permit to the Source or Area Water for SHBN;
 - (d) Permit for Temporary Storage of Hazardous and Toxic Waste for SHBN;
 - (e) the Usage or Utilisation of Ground Water for LPB; and
 - (f) the Usage or Utilisation of Ground Water for SHBN;
- 2.5.6** the receipt by the Trustee and the Purchaser of the legal opinions and the accompanying directors’ certificates (in a form, content, and substance satisfactory to, and approved by, the Trustee) from the Vendor’s legal counsel in relation to (i) the due incorporation, capacity and due authorisation of the Vendor and PT WJP and (ii) the enforceability of the Transaction Documents;
- 2.5.7** the entry into the Deed of Indemnity by PT WJP and the Trustee in a form and substance satisfactory to the Trustee;
- 2.5.8** the entry into the confirmation agreement by all parties to the Deed of Indemnity in a form and substance satisfactory to the Trustee;
- 2.5.9** the entry into the deed of novation by the Vendor, Buton1 and the IndoCo in a form and substance satisfactory to the parties;
- 2.5.10** 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;
- 2.5.11** due execution of the termination agreement of the Lease Agreement of Hospital Building Jl. Sultan Hasanuddin No. 58, Batulo, Wolio, Baubau, Southeast Sulawesi, dated 24 August 2016 between the Vendor and the Siloam Lessee (defined below) by the Vendor and the lessee;
- 2.5.12** the entry into the Buton Master Lease Agreements by the IndoCo (as lessor) and Siloam Lessee (as defined below) and the Sponsor (as master lessees of the SHBN Master Lease (defined below)) and the Vendor (as master lessee of the LPB Master Lease (defined below)) in a form and substance satisfactory to the Trustee and the Manager;

- 2.5.13 the Trust securing sufficient financing to undertake the purchase of the Property by the IndoCo pursuant to the Property CSPA and the agreements for such financing not having been terminated and being unconditional in all respects;
- 2.5.14 the obtainment of approval from the Board of Directors of the Manager;
- 2.5.15 the obtainment of approval of the Audit Committee of the Manager;
- 2.5.16 the obtainment of approval from the Trustee;
- 2.5.17 if required, the passing at a general meeting of Unitholders of a resolution to approve the transactions contemplated herein;
- 2.5.18 if required, the obtainment of an opinion from an independent financial adviser appointed by the Manager in a form and substance satisfactory to the Manager;
- 2.5.19 the obtainment of other approvals (if required) including those of the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited;
- 2.5.20 the obtainment of all corporate approvals by each of the Vendor, the Sponsor, Siloam Lessee (as defined below) and PT WJP pursuant to their respective articles of associations and prevailing laws and regulations approving, among others, the transactions contemplated by the Transaction Documents;
- 2.5.21 the IndoCo and the Trustee 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 to be conducted by the IndoCo, the Trustee and/or its counsels or advisers or the Vendor, which the IndoCo and/or the Trustee may consider being relevant, including due diligence and court searches conducted on or in connection with the Vendor, PT WJP, the Sponsor, the Siloam Lessee (as defined below), and the Property;
- 2.5.22 there being no adverse change to the financial condition of the master lessees or their ability to perform any of their obligations under the Buton Master Lease Agreements, including their obligation to make payment to the IndoCo;
- 2.5.23 the issuance of a cover note by the relevant Notary stating, among others: (a) the validity or term of the SHGB 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 SHGB; and
- 2.5.24 the final list of equipment in relation to the Property has been agreed in writing by the IndoCo.

2.6 Post-Completion of the Buton Acquisition

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

- 2.6.1 bear all responsibilities and conduct all obligations as the BOT grantee under the BOT agreement, and shall always comply, satisfy, fulfill, perform or carry out all and any of the requirements as stipulated in such BOT agreement and it shall not terminate, cancel, assign or otherwise transfer the BOT agreement to any other party;
- 2.6.2 consult and seek a written consent from the IndoCo before it amends or modifies any of the terms and conditions of the BOT agreement;
- 2.6.3 do any and all acts necessary to assist the Purchaser in obtaining all licenses and permits (and/or the extension thereof) required by the IndoCo to own of the Property to be duly and validly issued by the authorised relevant government authority(ies) under the name of the IndoCo (collectively, the **"Required Licenses"**); and
- 2.6.4 do all acts necessary to assist the IndoCo in obtaining the Required Licenses pursuant to paragraph 2.6.3 above, including but not limited to preparing, making, executing, signing, delivering, submitting and/or applying for any letter, certificate, form, application, and/or other document (including documents required by the relevant government authority(ies) that will issue such required licenses);

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

2.7 Indemnity in relation to the Property 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 Property CSPA (the **"Deed of Indemnity"**).

2.8 Buton Master Lease

On the date of completion of the Buton Acquisition, the IndoCo (as the lessor) will enter into:

- (i) in relation to SHBN, a master lease agreement (**"SHBN Master Lease Agreement"**) with the Sponsor and the Siloam Lessee (defined below) (as master lessees of SHBN); and
- (ii) in relation to LPB, a master lease agreement (the **"LPB Master Lease Agreement"**) with the Vendor (as master lessee of LPB).

Under the SHBN Master Lease Agreement, the IndoCo will grant the Sponsor and PT Bina Bahtera Sejati (the **"Siloam Lessee"**, a wholly owned subsidiary of PT Siloam International Hospitals Tbk, and together with the Sponsor as master lessees of SHBN, the **"SHBN Master Lessees"**) a lease in relation to SHBN (the **"SHBN Master Lease"**) for a lease term of 15 years, commencing from the date of completion of the Buton Acquisition with an option to renew for a further term of 15 years exercisable at the option of the SHBN Master Lessees.

Under the LPB Master Lease Agreement, the IndoCo will grant the Vendor (the **"LPB Master Lessee"**) a lease in relation to LPB (the **"LPB Master Lease"**) for a lease term of 15 years, commencing from the date of completion of the Buton Acquisition with an option to renew for a further term of 15 years exercisable at the option of the LPB Master Lessee.

(SHBN Master Lease and LPB Master Leases are collectively known as the “**Buton Master Leases**”, and the SHBN Master Lease Agreement and LPB Master Lease Agreement, the “**Buton Master Lease Agreements**”).)

Some of the key terms of the SHBN Master Lease Agreement are as follows:

2.8.1 SHBN Master Lease Agreement

(i) SHBN Base Rent

The SHBN Master Lease will be granted at an initial base rent of S\$1.60 million (Rp.15.36 billion) per annum (the “**SHBN Base Rent**”). The SHBN 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 SHBN 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 the Property 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 2002 and 2016) 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 SHBN Base Rent shall be adjusted accordingly based on the following formula:

Base Rent / Rp.9,600 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 the IndoCo pursuant to the SHBN Master Lease Agreement. As a result of this formula stipulated in the SHBN 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 SHBN Base Rent.

(ii) **SHBN Variable Rent**

The variable rent in relation to the SHBN Master Lease (the “**SHBN Variable Rent**”) will be payable quarterly in advance and no variable rent will be payable for the Initial Five-Year Period of the SHBN 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 SHBN Variable Rent for the sixth year and for subsequent years of the SHBN Master Lease will be based on the Gross Operating Revenue⁷ growth and will be calculated as described in sub-paragraph 2.8.1(iii). The Manager also wishes to note that the SHBN Base Rent will form the main bulk of the SHBN Total Rent⁸ which adequately achieves First REIT’s required rate of return. The SHBN Variable Rent will constitute only a small proportion of the SHBN Total Rent. For the avoidance of doubt, the SHBN Variable Rent will only apply to SHBN and does not apply to LPB.

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

SHBN Variable Rent / Rp.9,600 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 the IndoCo pursuant to the SHBN Master Lease Agreement. As a result of this formula stipulated in the SHBN 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 the IndoCo of the apportionment of the Total Rent payable by the Sponsor and the Siloam Lessee in respect of such quarter.

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

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

- (a) where the Gross Operating Revenue for the preceding financial year exceeds the 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 Property shall be equivalent to 0.75% of such excess amount;

7 “**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 SHBN, as audited for such period commencing 1 January and ending on 31 December of the same year (“**Fiscal Year**”).

8 “**SHBN Total Rent**” refers to the sum of the SHBN Base Rent and the SHBN Variable Rent.

- (b) where the Gross Operating Revenue for the preceding financial year exceeds the 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 Property shall be equivalent to 1.25% of such excess amount; and
- (c) where the Gross Operating Revenue for the preceding financial year exceeds the 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 Property shall be equivalent to 2.0% of such excess amount.

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

2.8.2 LPB Master Lease Agreement

LPB Base Rent

The LPB Master Lease will be granted at an initial base rent of S\$1.242 million (Rp.11.92 billion) per annum (the “**LPB Base Rent**”). The LPB 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 LPB Master Lease, at a rate equal to twice the percentage increase of 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 LPB 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 2002 and 2016) provide assurance that the rental adjustments will be relatively stable compared with 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 LPB Base Rent shall be adjusted accordingly based on the following formula:

Base Rent / Rp.9,600 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 the IndoCo pursuant to the LPB Master Lease Agreement. As a result of this formula stipulated in the LPB 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 mall 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 LPB Base Rent.

2.8.3 Fixed Exchange Rate

The SHBN Total Rent shall be paid in Indonesian Rupiah. In respect of the SHBN Variable Rent, if the gross operating revenue on which the calculation of the SHBN Variable Rent is based is calculated in Indonesian Rupiah, the SHBN Total Rent will be paid according to the exchange rate of S\$1.00 to Rp.9,600 (which shall be fixed for the entire lease term).

2.8.4 Assignment/Subletting

(i) SHBN Master Lease

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

The SHBN Master Lessees may not sub-let SHBN without to the consent of the IndoCo, provided that:

- (a) the use of any sub-let or sub-licensed areas shall be in accordance with or ancillary to the permitted use of SHBN;
- (b) the SHBN Master Lessees shall remain responsible and liable to the IndoCo for the due observance and performance of the SHBN Master Lease;
- (c) the SHBN Master Lessees shall procure the compliance of the sub-tenant and/or the sub-licensee with the relevant provisions of the SHBN Master Lease;
- (d) all sub-leases and sub-licences shall contain a provision by which the sub-tenant and/or the sub-licensee agrees:
 - (I) that any indemnity, release, exemption or waiver of liability given or agreed to be given by the sub-tenant and/or the sub-licensee in favour of the SHBN Master Lessees shall extend to the IndoCo;

- (II) that any defences available to the SHBN Master Lessees against the sub-tenant and/or the sub-licensee under the sub-lease and/or sub-licence shall be similarly available to the IndoCo as against the sub-tenant and/or the sub-licensee; and
- (III) the relevant provisions of the SHBN Master Lease Agreement shall, pursuant to the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, be enforceable by the IndoCo and shall not be varied except with the prior written consent of the IndoCo.

In relation to the newly built three-storey hospital component of SHBN, the SHBN Master Lessees shall give prior written notice of any sub-letting or sub-licensing.

(ii) **LPB Master Lease**

The LPB Master Lessee shall not assign the LPB Master Lease without the prior written consent of the IndoCo. The assignee must be of good repute and sound financial standing and the Sponsor, the assignee and the IndoCo shall contemporaneously with the assignment of the LPB Master Lease to the assignee (as new tenant) execute in escrow a deed of novation in respect of the LPB 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 LPB Master Lease.

The LPB Master Lessee may sub-let or sub-license LPB without notice to the IndoCo, provided that the LPB Master Lessee shall give notice to the IndoCo of any sub-letting and change of sub-lessee in respect of the Hypermart and the Matahari Department Store; and:

- (a) the use of any sub-let or sub-licensed areas shall be in accordance with or ancillary to the permitted use of LPB;
- (b) the LPB Master Lessee shall remain responsible and liable to the IndoCo for the due observance and performance of the LPB Master Lease;
- (c) the LPB Master Lessee shall procure the compliance of the sub-tenant and/or the sub-licensee with the relevant provisions of the LPB Master Lease; and
- (d) all sub-leases and sub-licences shall contain a provision by which the sub-tenant and/or the sub-licensee agrees:
 - (I) that any indemnity, release, exemption or waiver of liability given or agreed to be given by the sub-tenant and/or the sub-licensee in favour of the LPB Master Lessee shall extend to the IndoCo;

- (II) that any defences available to the LPB Master Lessee against the sub-tenant and/or the sub-licensee under the sub-lease and/or sub-licence shall be similarly available to the IndoCo as against the sub-tenant and/or the sub-licensee; and
- (III) the relevant provisions of the LPB Master Lease Agreement shall, pursuant to the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, be enforceable by the IndoCo and shall not be varied except with the prior written consent of the IndoCo.

2.8.5 Maintenance and other Operating Expenses of the Property

(i) SHBN

The Siloam Lessee (in relation to the hospital component of SHBN) and the Sponsor (in relation to the ancillary healthcare-related space component of SHBN) will be responsible for:

- (a) all outgoings including, but not limited to expenses relating to repairs and maintenance, utility costs, property-related taxes, contributions, charges, assessments, and duties and fees levied relating to SHBN;
- (b) costs and expenses for the operation, maintenance and management of SHBN, and landscaping costs; and
- (c) all capital expenses relating to SHBN for the first two years of the SHBN Master Lease⁹.

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

(ii) LPB

The LPB Master Lessee will be responsible for:

- (a) all outgoings including, but not limited to expenses relating to repairs and maintenance, utility costs, property-related taxes, contributions, charges, assessments and duties and fees levied relating to LPB and the BOT Agreement;
- (b) costs and expenses for the operation, maintenance and management of LPB, and landscaping costs; and

⁹ After the expiration of the first two years of the SHBN Master Lease, the master lessor of SHBN (being the IndoCo) shall be responsible for the capital expenses relating to SHBN.

- (c) all capital expenses relating to LPB for the first two years of the LPB Master Lease¹⁰.

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

2.8.6 Insurance of the Property

(i) SHBN

At all times during the term of the SHBN 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:

- (a) an insurance policy over all of the SHBN Master Lessees' property including any and all goods and stock-in-trade in the premises of SHBN to their full insurable value against all risks commonly insured against in respect of such property;
- (b) an insurance policy against loss of rental income, terrorism, sabotage, business interruption and all risks and damage (including earthquake) in the joint names of the IndoCo and the SHBN Master Lessees to its full insurable amount as assessed by the IndoCo, damage to the building at SHBN, all plant and equipment and all parts thereof which the Siloam Lessee is obliged to keep in repair under the SHBN Master Lease. The IndoCo shall pay for any increase in premium payable due to increase in sum insured for all risks and damage (including earthquake), if any (for the avoidance of doubt, any increase in insurance premium save as aforesaid shall be born solely by the Siloam Lessee);
- (c) a comprehensive public liability insurance policy in the joint names of the IndoCo and the SHBN Master Lessees against claims for personal injury, death or property damage or loss, arising out of all operations of the SHBN Master Lessees and its permitted occupiers in SHBN; and
- (d) an insurance policy covering all of the SHBN Master Lessees' risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the SHBN Master Lessees at SHBN.

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

(ii) LPB

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

¹⁰ After the expiration of the first two years of the LPB Master Lease, the master lessor of LPB (being the IndoCo) shall be responsible for the capital expenses relating to LPB.

- (a) an insurance policy over all of the LPB Master Lessee's property including any and all goods and stock-in-trade in the premises of LPB to their full insurable value against all risks commonly insured against in respect of such property;
- (b) an insurance policy against loss of rental income, terrorism, sabotage, business interruption and all risks and damage (including earthquake) in the joint names of the IndoCo and the LPB Master Lessee to its full insurable amount as assessed by the IndoCo, damage to the building at LPB, all plant and equipment and all parts thereof which the LPB Master Lessee is obliged to keep in repair under the LPB Master Lease. The IndoCo shall pay for any increase in premium payable due to increase in sum insured for all risks and damage (including earthquake), if any (for the avoidance of doubt, any increase in insurance premium save as aforesaid shall be born solely by the LPB Master Lessee);
- (c) a comprehensive public liability insurance policy in the joint names of the IndoCo and the LPB Master Lessee against claims for personal injury, death or property damage or loss, arising out of all operations of the LPB Master Lessee and its permitted occupiers in LPB; and
- (d) an insurance policy covering all of the LPB Master Lessees's risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the LPB Master Lessee at LPB.

The Manager believes that the insurance policies to be taken out by the LPB Master Lessee for LPB 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) 30.79% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a "Controlling Unitholder"¹¹ of First REIT and a "Controlling Shareholder"¹² 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 Person¹³ and

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

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

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

Interested Party¹⁴ of First REIT.

Given the Buton Total Consideration of Rp.273.60 billion (S\$28.50 million) (which is 3.66% of the net tangible assets (“**NTA**”) and net asset value (“**NAV**”) respectively of First REIT as at 31 December 2016) and the value of the Buton Master Leases of approximately S\$42.6 million (which is 5.48% of the NTA and NAV respectively of First REIT as at 31 December 2016), the aggregate value of the Buton Acquisition and the Buton Master Leases 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 Buton Acquisition and the Buton Master Leases will constitute Interested Person Transactions¹⁵ under Chapter 9 of the Listing Manual and also an Interested Party Transactions¹⁶ under paragraph 5 of the Property Funds Appendix for which Unitholders’ approval is required.

Accordingly, the approval of Unitholders will be sought for the Buton Acquisition and the Buton Master Leases.

3. RATIONALE FOR THE BUTON ACQUISITION

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

3.1 Strategic acquisition of a hospital with ancillary healthcare-related space and a connected mall and is within First REIT’s investment strategy of investing in income-producing healthcare and healthcare-related assets

First REIT’s investment policy is to invest in a diversified portfolio of income producing real estate and/ or real estate-related assets in Asia that are primarily¹⁷ used for healthcare and/or healthcare-related purposes¹⁸.

The Property (in which over 56% of its rental revenue is generated by SHBN, including its ancillary healthcare-related space) falls within First REIT’s investment mandate to invest in healthcare and healthcare-related assets. In addition, the Manager is also proposing to acquire LPB given that SHBN is directly linked and integrated with LPB, which complements SHBN and provides retail amenities to SHBN’s patients and their accompanying families and friends from both Buton Island and other parts of Southeast Sulawesi. The Manager believes that LPB will therefore generate synergies with SHBN, providing a convenient choice for the retail needs of visitors to SHBN and is well-

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

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

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

17 The Manager considers that the term “primarily” when used in relation to the phrase “primarily used for healthcare and/or healthcare-related purposes” in First REIT’s investment mandate means more than 50.0% of the rental income or revenue.

18 Including, but not limited to, hospitals, nursing homes, medical clinics, pharmacies, laboratories, diagnostic/imaging facilities and real estate and/or real estate-related assets used in connection with healthcare research, education, lifestyle and wellness management, manufacture, distribution or storage of pharmaceuticals, drugs, medicine and other healthcare goods and devices and such other ancillary activities relating to the primary objective, whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

positioned to benefit from the close proximity to SHBN. LPB's tenants include Matahari Department Store and Hypermart which together with the ancillary healthcare-related space of SHBN, covers daily needs, personal items and F&B for visitors and provides retail amenities and conveniences before, after or during the patients' medical treatments.

3.2 Opportunity to purchase an attractive and high quality property in Southern Sulawesi, at a price below valuation

The Buton Acquisition represents an opportunity for First REIT to acquire a hospital that is attractive, high quality and integrated with a complementary mall in a strategic location in Indonesia, at a price below valuation.

The Property is located in the city of Bau Bau in Buton Island, which is a port city that serves as a liaison between West and East of Indonesia, and serves the needs of people in Southeast Sulawesi.

The Property is well-positioned for all income segments of the healthcare market.

Additionally, the Property will be acquired at a discount of 1.21% to the average of the independent valuations of the Property by Rengganis and Alberth.

3.3 Increased income stability of First REIT through the Buton Master Leases and an increase in First REIT's weighted average lease to expiry ("WALE")

The Buton Master Leases will be beneficial to First REIT as the Property is expected to provide stability to First REIT's Gross Rental Income¹⁹ 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 SHBN Master Lease Agreement and the base rental component under the LPB 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 the Property, security deposits equivalent to six months of (i) SHBN's annual rental payable (amounting to S\$800,000) and (ii) LPB's annual rental payable (amounting to S\$621,000) will be provided to First REIT by the respective master lessees in the form of bankers' guarantees. Such security deposit amounts will be adjusted at relevant rent review dates.

The Buton 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**")²⁰ are between 10 to 15 years. After the completion of the Buton Acquisition,

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

20 "**Existing Portfolio**" portfolio of properties currently held by First REIT, consisting of: its properties in Indonesia; Siloam Hospitals Labuan Bajo, 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.

First REIT will benefit from the increase in the Enlarged Portfolio's²¹ WALE based on secured Gross Rental Income with the Property contributing 2.66% of First REIT's total Gross Rental Income under the Buton Master Lease Agreements. The WALE of the Enlarged Portfolio will increase from approximately 10.0 years from that of the Existing Portfolio as at 31 December 2016 to approximately 10.3 years after the completion of the Buton Acquisition.

3.4 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 2.36% from S\$1.27 billion (as at 31 December 2016) to S\$1.30 billion after the completion of the Buton Acquisition. The value of First REIT's Deposited Property²² is expected to increase by 2.24% from S\$1.34 billion as at 31 December 2016 to S\$1.37 billion after the completion of the Buton Acquisition and there will also be a 6.98% increase in the total GFA from 314,311 sq m before the Buton Acquisition to 336,245 sq m after the completion of the Buton Acquisition. The maximum number of hospital beds for the Indonesia properties will increase by 4.74% from 3,373 to 3,533.

The acquisition of both SHBN and LPB will result in a sizeable transaction on a greater scale as compared to solely acquiring SHBN. 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 Buton 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 the Property will also enjoy greater operating synergies in the long term which would indirectly benefit First REIT through higher variable rent and potential capital appreciation.

3.5 The Buton 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

The Property is located in Indonesia in which First REIT already operates and is an extension of First REIT's Existing Portfolio. Within Sulawesi, First REIT currently also owns the Manado Property and Siloam Hospitals Makassar.

Located in Bau Bau city, which is the main city on Buton Island in Southeast Sulawesi, the Property is situated along Jl. Sultan Hasanuddin, approximately 2 kilometres away from Port Murhum, which is the island's main access for transportation with direct sea connections to locations such as Jakarta and Kendari.

SHBN is modern and is fitted with medical facilities which include, among others, operating theatres, equipment for medical services including radiology (such as 16 slice CT scanner, X-Ray machine, ultrasonography, 3-dimension echocardiography), haemodialysis, physiotherapy and neurology.

21 "Enlarged Portfolio" consists of the Property and the Existing Portfolio.

22 "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.

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

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

As at 31 December 2016, the weighted average age of properties of the Enlarged Portfolio will decrease by approximately 5.86% from 10.1 years from that of the Existing Portfolio to 9.5 years after the completion of the Buton 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 Buton 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 Buton 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 Buton Acquisition computed on the bases set out above exceed 20.0%. Furthermore, the Buton 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 Buton 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:	Buton Acquisition	First REIT	Relative Figure
Net Property Income ⁽¹⁾	S\$2.80 million ⁽²⁾	S\$105.84 million ⁽³⁾	2.65%
Buton Total Consideration against First REIT's market capitalisation	S\$28.50 million ⁽⁴⁾	First REIT's market capitalisation: S\$1,046.75 million ⁽⁵⁾⁽⁶⁾	2.72%

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 total net rental of approximately S\$2.84 million under the Buton Master Leases, less property expenses.
- (3) Based on the audited consolidated financial statements of First REIT and its subsidiaries for the financial year of 2016 (the “**FY2016 Audited Consolidated Financial Statements**”).
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$1.345 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 BUTON ACQUISITION

5.1 Pro Forma Financial Effects of the Buton 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 the completion of the Buton Acquisition.

The pro forma financial effects of the Buton Acquisition presented below are **strictly for illustrative purposes only** and were prepared based on the FY2016 Audited Consolidated Financial Statements and the unaudited consolidated financial statements of First REIT and its subsidiaries for the six-month period ended 30 June 2017 (“**6M2017**”, and the unaudited consolidated financial statements of First REIT and its subsidiaries for 6M2017, the “**6M2017 Unaudited Consolidated Financial Statements**”) and assuming:

- (i) the Buton Acquisition Cost, comprising the Buton Total Consideration, the Buton Acquisition Fee, as well as the professional and other fees and expenses, is S\$29.44 million, of which S\$29.15 million will be paid in cash and the balance of S\$0.29 million by way of issued Units;
- (ii) S\$29.15 million of the cash component of the Buton Acquisition Cost is funded by proceeds from debt;
- (iii) an assumed issue price of S\$1.3363 for the management fee and Buton Acquisition Fee payable to the Manager pursuant to the Trust Deed paid in the form of new Units issued;
- (iv) the accounting policies and methods of computation applied to the pro forma financials are consistent to those applied in the FY2016 Audited Consolidated Financial Statements and the accounting standards applicable to the date of the announcement;
- (v) the rental amount of the Property is S\$2.84 million (Rp.27.28 billion), and the Buton Master Lease Agreements provide for First REIT to receive the equivalent amount of Singapore dollars (i.e. S\$2.84 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
- (vi) the Buton Total Consideration will be paid in cash via debt and internal cash and the cost of debt is assumed to be 4.5% per annum.

5.2 FY2016

Pro Forma DPU

The pro forma financial effects of the Buton Acquisition on the distribution per Unit (“DPU”) for FY2016, as if First REIT had purchased the Property on 1 January 2016, and held and operated the Property through to 31 December 2016, are as follows:

	FY2016	
	Before the Buton Acquisition ⁽¹⁾	After the Buton Acquisition
Distributable Income (S\$'000)	65,248	65,960
Units in issue and to be issued ^{(2),(3)}	772,230,491	772,600,292
DPU (cents) ⁽³⁾	8.47	8.54

Notes:

- (1) Based on the FY2016 Audited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 5,931,557 Units issued from 1 January 2017 to the date preceding the date of this announcement.
- (3) The number of Units is arrived at after taking into account the issuance of the 213,275 Units in payment of the Buton Acquisition Fee and 66,526 Units in payment of management fee at the assumed issued price of S\$1.3363 per Unit, being the weighted average traded price for the 10 Market Days preceding the date of this announcement.

Pro Forma NAV per Unit

The pro forma financial effects of the Buton Acquisition on the NAV per Unit as at 31 December 2016, as if First REIT had purchased the Property on 31 December 2016, are as follows:

	As at 31 December 2016	
	Before the Buton Acquisition ⁽¹⁾	After the Buton Acquisition
NAV (S\$'000)	777,701	777,619
Units in issue and to be issued ^{(2),(3)}	771,579,482	771,859,283
NAV per Unit (cents)	100.79	100.75 ⁽³⁾

Notes:

- (1) Based on the FY2016 Audited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 6,672,566 Units issued from 1 January 2017 to the date preceding the date of this announcement.
- (3) The number of Units is arrived at after taking into account the issuance of the 213,275 Units in payment of the Buton Acquisition Fee and 66,526 Units in payment of management fee at the assumed issued price of S\$1.3363 per Unit, being the weighted average traded price for the 10 Market Days preceding the date of this announcement.

Pro Forma capitalisation

The following table sets forth the pro forma capitalisation of First REIT as at 31 December 2016, as if First REIT had purchased the Property on 31 December 2016.

As at 31 December 2016		
	Actual ⁽¹⁾	As adjusted for the Buton Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	-	-
Secured	141,967	141,967
Total short-term debt	141,967	141,967
Long-term debt:		
Unsecured	109,564	109,564
Secured	162,078	193,292
Total long-term debt	271,642	302,856
Total Debt	413,609	444,823
Unitholders funds	777,701	777,619
Perpetual securities holders' fund	60,878	60,878
Total Capitalisation	1,191,310	1,222,442

Note:

(1) Based on the FY2016 Audited Consolidated Financial Statements.

5.3 6M2017

Pro Forma DPU

The pro forma financial effects of the Buton Acquisition on the DPU for 6M2017, as if First REIT had purchased the Property on 1 January 2017, and held and operated the Property through to 30 June 2017, are as follows:

	6M2017	
	Before the Buton Acquisition ⁽¹⁾	After the Buton Acquisition
Distributable Income (S\$'000)	33,235	33,588
Units in issue and to be issued ⁽²⁾	778,252,048	778,531,849
DPU (cents) ⁽²⁾	4.28	4.31

Notes:

(1) Based on the 6M2017 Unaudited Consolidated Financial Statements.

(2) The number of Units is arrived at after taking into account the issuance of the 213,275 Units in payment of the Buton Acquisition Fee and 66,526 Units in payment of management fee at the assumed issued price of S\$1.3363 per Unit, being the weighted average traded price for the 10 Market Days preceding the date of this announcement.

Pro Forma NAV per Unit

The pro forma financial effects of the Buton Acquisition on the NAV per Unit as at 30 June 2017, as if First REIT had purchased the Property on 30 June 2017 are as follows:

	As at 30 June 2017	
	Before the Buton Acquisition ⁽¹⁾	After the Buton Acquisition
NAV (S\$'000)	780,032	779,950
Units in issue and to be issued ^{(2),(3)}	776,821,859	777,101,660
NAV per Unit (cents)	100.41	100.37 ⁽³⁾

Notes:

- (1) Based on the 6M2017 Unaudited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 1,430,189 Units issued from 1 July 2017 to the date preceding the date of this announcement.
- (3) The number of Units is arrived at after taking into account the issuance of the 213,275 Units in payment of the Buton Acquisition Fee and 66,526 Units in payment of management fee at the assumed issued price of S\$1.3363 per Unit, being the weighted average traded price for the 10 Market Days preceding the date of this announcement.

Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of First REIT as at 30 June 2017, as if First REIT had purchased the Property on 30 June 2017.

	As at 30 June 2017	
	Actual ⁽¹⁾	As adjusted for the Buton Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	-	-
Secured	241,073	241,073
Total short-term debt	241,073	241,073
Long-term debt:		
Unsecured	109,638	109,638
Secured	62,801	94,015
Total long-term debt	172,439	203,653
Total Debt	413,512	444,726
Unitholders funds	780,032	779,950
Perpetual securities holders' fund	60,850	60,850
Total Capitalisation	1,254,394	1,285,526

Note:

- (1) Based on the 6M2017 Unaudited Consolidated Financial Statements.

6. OTHER INFORMATION

6.1 Interests of Directors and Substantial Unitholders²³

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 Carl Gabriel Florian Stubbe	-	-	-	-	-	-
Mr Tan Chuan Lye	-	-	-	-	-	-
Mr Wong Gang	-	-	-	-	-	-
Mr Ketut Budi Wijaya	-	-	-	-	-	-
Mr Tan Kok Mian Victor	51,755	0.0067	-	-	51,755	0.0067

Note:

(1) Percentage interest is based on 778,252,048 Units in issue as at the date of this announcement.

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

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	21.48	-	-	167,187,367	21.48
The Manager	48,201,040	6.19	-	-	48,201,040	6.19
PT Sentra Dwimandiri ⁽²⁾	-	-	167,187,367	21.48	167,187,367	21.48
The Sponsor ⁽³⁾	-	-	239,626,671	30.79	239,626,671	30.79

Notes:

(1) Percentage interest is based on 778,252,048 Units in issue as at the date of this announcement.

(2) PT Sentra Dwimandiri is deemed to be interested in the Units held by its subsidiary, Bridgewater International Ltd (please see table above).

(3) 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) 24,238,264 Units held by its indirect wholly-owned subsidiary, PT Menara Tirta Indah; 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 30.79% in First REIT and is deemed to be a Controlling Unitholder of First REIT.

²³ “**Substantial Unitholders**” refers to Unitholders with an interest in more than 5.0% of all Units in issue.

6.2 Directors' Service Contracts

No person is proposed to be appointed as a Director in relation to the Buton Acquisition or any other transactions contemplated in relation to the Buton 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 Tan Chuan Lye, Mr Wong Gang and Mr Carl Gabriel Florian Stubbe (the "**Audit Committee**"), will obtain an opinion from Stirling Coleman Capital Limited, the independent financial adviser (the "**IFA**"), on whether or not the Buton Acquisition and the Buton Master Leases 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 Buton Acquisition and the Buton Master Leases 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 Buton Acquisition and the Buton Master Leases²⁴:

- (i) the Property CSPA (which contains the form of the Buton Master Lease Agreements);
- (ii) the Deed of Indemnity;
- (iii) the full valuation report on the Property issued by Rengganis;
- (iv) the full valuation report on the Property issued by Alberth;
- (v) the FY2016 Audited Consolidated Financial Statements;
- (vi) the 6M2017 Unaudited Consolidated Financial Statements; and
- (vii) the IFA Letter from the IFA.

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.

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

8. FURTHER DETAILS

The Unitholders' Circular in relation to the Buton Acquisition and the Buton Master Leases, 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.

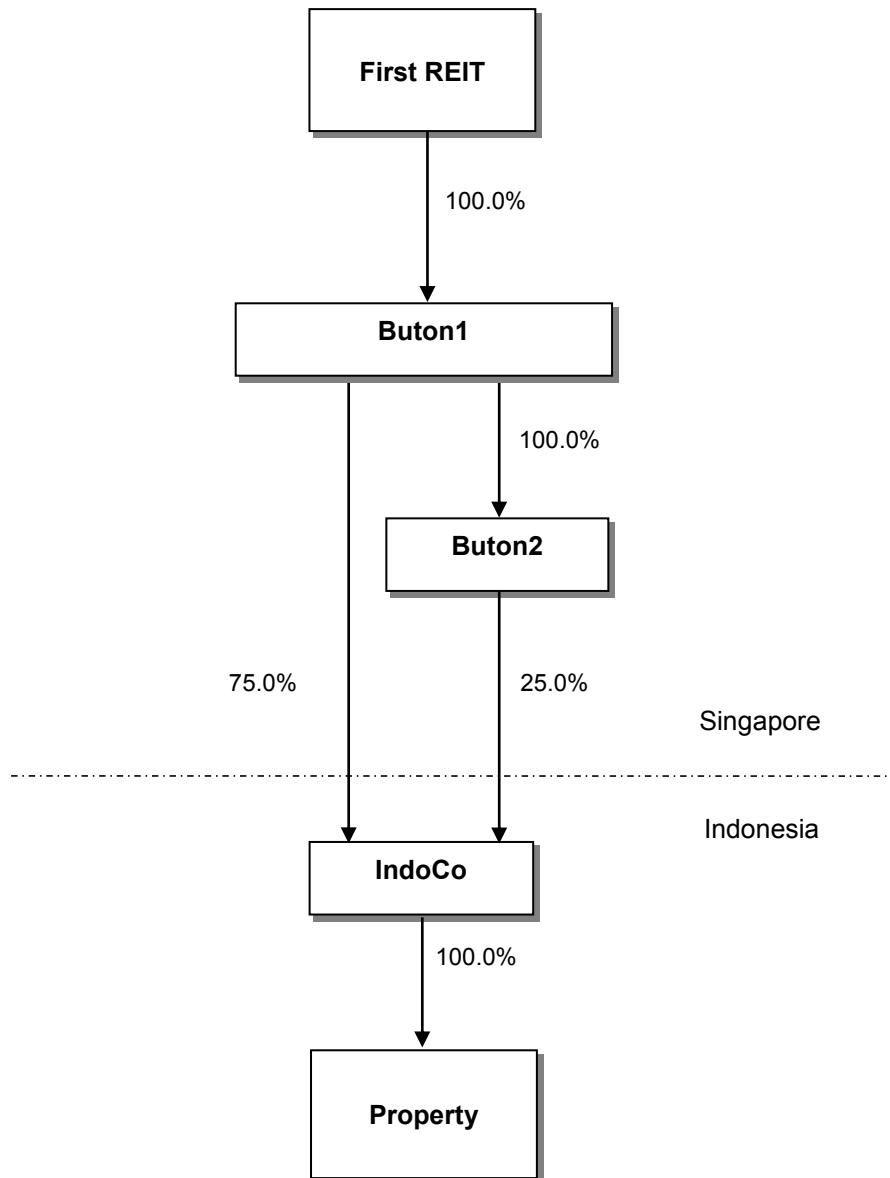
By Order of the Board

Tan Kok Mian Victor
Executive Director and Acting Chief Executive Officer
Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
(Company registration no. 200607070D)

20 July 2017

APPENDIX A

Chart illustrating the structure under which the Property is proposed to be held by First REIT upon completion of the Buton 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.