

CIRCULAR DATED 30 AUGUST 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) takes no responsibility for the accuracy of any statements or opinions made, or reports contained, in this circular dated 30 August 2017 (“**Circular**”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your units in First Real Estate Investment Trust (“**First REIT**”, and the units in First REIT, “**Units**”), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States of America (“**United States**” or “**U.S.**”). It is not an offer of securities for sale into the U.S. The Units have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any state of the U.S. or other jurisdiction, and the Units may not be offered or sold within the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. Any public offering of securities of First REIT in the U.S. would be made by means of a prospectus that would contain detailed information about First REIT and Bowsprit Capital Corporation Limited, as manager of First REIT (the “**Manager**”), as well as financial statements. The Manager does not intend to conduct a public offering of securities in the U.S.



FIRST REAL ESTATE INVESTMENT TRUST

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

MANAGED BY

BOWSPRIT CAPITAL CORPORATION LIMITED

(Company Registration Number: 200607070D)

CIRCULAR TO UNITHOLDERS

IN RELATION TO:

THE PROPOSED ACQUISITION AND MASTER LEASES OF SILOAM HOSPITALS BUTON AND LIPPO PLAZA BUTON WHICH CONSTITUTE INTERESTED PERSON TRANSACTIONS

Independent Financial Adviser to the Independent Directors of Bowsprit Capital Corporation Limited and to the Trustee



IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms	: Monday, 18 September 2017 at 10.00 a.m.
Date and time of Extraordinary General Meeting	: Thursday, 21 September 2017 at 10.00 a.m.
Place of Extraordinary General Meeting	: Pacific 3, Level 1, Pan Pacific Singapore, 7 Raffles Boulevard, Marina Square, Singapore 039595

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CORPORATE INFORMATION

Directors of the Manager (“Directors”)	: Mr Carl Gabriel Florian Stubbe (Chairman and Non-Executive Non-Independent Director) Mr Tan Chuan Lye (Lead Independent Director) Mr Wong Gang (Independent Director) Mr Ketut Budi Wijaya (Non-Executive Non-Independent Director) Mr Tan Kok Mian Victor (Executive Director and Acting Chief Executive Officer)
Registered Office of the Manager	: 50 Collyer Quay #06-01 OUE Bayfront Singapore 049321
Trustee of First REIT (the “Trustee”)	: HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of First REIT) 21 Collyer Quay #13-02 HSBC Building Singapore 049320
Legal Adviser for the Buton Acquisition and the Buton Master Leases (each as defined herein) and to the Manager	: Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Manager for the Buton Acquisition and the Buton Master Leases as to Indonesian Law	: Melli Darsa & Co. Menara Standard Chartered, 19th Floor Jl. Prof. Dr. Satrio No.164 Jakarta 12930, Indonesia
Legal Adviser to the Trustee as to Singapore Law	: Dentons Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
Legal Adviser to the Trustee for the Buton Acquisition and the Buton Master Leases as to Indonesian Law	: Ali Budiardjo, Nugroho, Reksodiputro Graha CIMB Niaga, 24th Floor Jl. Jend. Sudirman Kav. 58 Jakarta 12190
Independent Financial Adviser to the Independent Directors of the Manager and to the Trustee in relation to the Buton Acquisition and Buton Master Leases	: Stirling Coleman Capital Limited 4 Shenton Way #07-03 SGX Centre 2 Singapore 068807
Independent Singapore Tax Adviser	: Ernst & Young LLP One Raffles Quay North Tower, Level 18 Singapore 048583
Independent Indonesia Accounting and Tax Adviser (the “Independent Indonesia Tax Adviser”)	: PB Taxand Menara Imperium 27 th Floor Jl.H.R Rasuna Said Kav. 1 Jakarta 12980 Indonesia

- Independent Valuers
(the “Independent Valuers”)** : KJPP Rengganis, Hamid & Rekan in strategic alliance with
CBRE Pte. Ltd.
Menara Kuningan 8th Floor
Jl. HR. Rasuna said Blok X-7 Kav. 5
Jakarta 12940, Indonesia
(appointed by the Trustee)
- KJPP Rinaldi, Alberth, Baroto & Partners
Gedung Pusat Perfilman
H. Usmar Ismail 3rd Floor
Jalan HR Rasuna Said Kav. C-22
Jakarta Selatan 12940, Indonesia
(appointed by the Manager)
- Independent Healthcare
Research Consultant for the
Indonesia Healthcare Market
Review Report
(the “Independent Healthcare
Research Consultant”)** : Frost & Sullivan (S) Pte Ltd
100 Beach Road
#29-01/11 Shaw Tower
Singapore 189702
- Unit Registrar and Unit Transfer
Office** : Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 37 to 42 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

ABOUT FIRST REIT

Listed on the SGX-ST on 11 December 2006, 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 primarily used for healthcare and/or healthcare-related purposes¹. As at 30 June 2017, First REIT's existing portfolio comprises 18 properties comprising 14 located in Indonesia, three in Singapore and one in South Korea, and has a combined gross floor area ("**GFA**") of 314,311 square metres ("**sq m**") and valuation of S\$1.27 billion.

SUMMARY OF APPROVAL SOUGHT

In furtherance of First REIT's investment policy, the Manager is seeking the approval of unitholders of First REIT ("**Unitholders**") by Ordinary Resolution² for the proposed acquisition (the "**Buton Acquisition**") of Siloam Hospitals Buton, comprising a newly built three-storey hospital which commenced operations in April 2016 and ancillary healthcare-related space ("**SHBN**") and Lippo Plaza Buton, comprising a newly built single-storey retail mall which commenced operations in December 2015 ("**LPB**", and together with SHBN, the "**Property**") from PT Andromeda Sakti (the "**Vendor**"), as well as the proposed master lease of SHBN (the "**SHBN Master Lease**") and the proposed master lease of LPB (the "**LPB Master Lease**", and together with the SHBN Master Lease, the "**Buton Master Leases**"). The SHBN Master Lease will be granted to PT Lippo Karawaci Tbk, the sponsor of First REIT (the "**Sponsor**"), and PT Bina Bahtera Sejati ("**Siloam Lessee**", together with the Sponsor, the "**SHBN Master Lessees**"), a wholly-owned subsidiary of PT Siloam International Hospitals Tbk ("**Siloam**"). The LPB Master Lease will be granted to the Vendor (also known as the "**LPB Master Lessee**"). The Vendor is an indirect wholly-owned subsidiary of the Sponsor. Siloam is listed on the Indonesia Stock Exchange and as at 30 June 2017, the Sponsor holds approximately 62.09% of Siloam.

RESOLUTION: THE BUTON ACQUISITION AND BUTON MASTER LEASES

Overview

As part of First REIT's growth strategy, the Manager is committed to pursuing acquisition opportunities that will enhance First REIT's asset base and maintain an attractive cash flow and yield profile.

Further to this growth strategy, First REIT is seeking to acquire the Property for a purchase consideration of Rp.273.60 billion (S\$28.50 million)³, including the applicable land and building

- 1 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.
- 2 "**Ordinary Resolution**" refers to a resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the trust deed dated 19 October 2006 constituting First REIT, entered into between the Trustee and the Manager, as amended, varied or supplemented from time to time (the "**Trust Deed**").
- 3 Based on an illustrative rupiah exchange rate of S\$1.00 to Rp.9,600 (the "**Illustrative Rupiah Exchange Rate**"). Unless otherwise stated, all conversions of Rp. amounts into S\$ in this Circular shall be based on the Illustrative Rupiah Exchange Rate and unless otherwise stated, all amounts in Rp. and S\$ in this Circular shall, where such amount exceeds one million, be rounded to one decimal number.

acquisition tax (*Bea Perolehan Hak atas Tanah dan Bangunan*) (“**BPHTB**”, and collectively, the “**Buton Total Consideration**”)¹ from the Vendor, which directly wholly-owns the Property. For purposes of the Buton Acquisition, First REIT has incorporated SHButon Investment I Pte. Ltd., a wholly-owned subsidiary in Singapore (“**Buton1**”), for a nominal consideration of S\$1.00. Buton1 has on 20 July 2017 entered into a conditional sale and purchase agreement with the Vendor (the “**Property CSPA**”) for the Buton Acquisition.

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.

The Vendor had entered into a Build, Operate and Transfer (“**BOT**”) agreement² with the Government of Buton Regency (“**BOT Grantor**”) dated 16 June 2014 (as amended on 25 November 2015) (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 (and covered by *Hak Pengelolaan* (Right to Manage) (“**HPL**”) title) including the right to obtain HGB titles over such HPL. The BOT Agreement covers a land area of 33,367 sq m, on which four HGB titles certificates were granted to the Vendor. Under the Buton Acquisition, two out of four HGB titles will be acquired by First REIT. For the avoidance of doubt, the remaining two HGB titles, on which a loading dock, car park and cinema are located, are not part of the Property which is being acquired by First REIT. First REIT will, upon acquiring the Property, indirectly hold the Property through the IndoCo under two of the HGB title certificates, 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 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 2042³, 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.

1 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.

2 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 owned by the BOT grantor.

3 The Manager has successfully renewed the HGB titles for certain of First REIT’s properties. Please refer to paragraph 2.11 of the Letter to Unitholders for further details.

Description of the Property

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 GFA of 10,796 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.

Acquisition Cost

The total cost of the Buton Acquisition, comprising the Buton Total Consideration of S\$28.50 million, the acquisition fee of S\$285,000 in relation to the Buton Acquisition payable to the Manager pursuant to the Trust Deed (the “**Buton Acquisition Fee**”)² which is payable in the form of units of First REIT (“**Units**”), as well as the professional and other fees and expenses of approximately S\$650,000 in connection with the Buton Acquisition, is estimated to be approximately S\$29.44 million (the “**Buton Acquisition Cost**”).

Valuation

The Independent Valuers, KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. (“**Rengganis**”) and KJPP Rinaldi, Alberth, Baroto & Partners (“**Alberth**”), were 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 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.

(See paragraph 2.4 of the Letter to Unitholders for further details on the valuation of the Property.)

Buton Master Leases

On the date of the completion of the Buton Acquisition, the IndoCo (as master lessor of SHBN) will enter into a master lease agreement (the “**SHBN Master Lease Agreement**”) with the SHBN Master Lessees and a separate master lease agreement (the “**LPB Master Lease Agreement**”) with the LPB Master Lessee (the SHBN Master Lease Agreement and LPB Master Lease Agreement are collectively referred to as “**Buton Master Lease Agreements**”) pursuant to which the IndoCo will grant the SHBN

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 As the Buton Acquisition will constitute an Interested Party Transaction (as defined herein) under Appendix 6 of the Code on Collective Investment Schemes (the “**CIS Code**”) and Appendix 6 of the CIS Code, the “**Property Funds Appendix**”) issued by the Monetary Authority of Singapore (the “**MAS**”), the Buton Acquisition Fee payable to the Manager will be in form of Units (the “**Buton Acquisition Fee Units**”), which shall not be sold within one year from the date of issuance, in accordance with Paragraph 5.7 of the Property Funds Appendix.

Master Lease to the SHBN Master Lessees and the LPB Master Lease to the LPB Master Lessee respectively, each 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 and LPB Master Lessee respectively.

(See paragraph 2.12 of the Letter to Unitholders for further details on the terms of the Buton Master Leases.)

Method of Financing the Buton Acquisition

The Buton Total Consideration will be paid in cash on the date of completion of the Buton Acquisition. 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 to be employed will be made by the Manager at the appropriate time taking into account the relevant market conditions.

(See paragraph 2.9 of the Letter to Unitholders for further details.)

RATIONALE FOR THE BUTON ACQUISITION AND BUTON MASTER LEASES

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

- (i) 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
- (ii) opportunity to purchase an attractive and high quality property in Southeast Sulawesi, at a price below valuation;
- (iii) increased income stability of First REIT through the Buton Master Leases and an increase in First REIT's weighted average lease to expiry ("**WALE**");
- (iv) 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;
- (v) 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; and
- (vi) increase in attractiveness of the Enlarged Portfolio¹ given the reduction in the weighted average age of the properties in the Enlarged Portfolio as the Property is newly built.

(See paragraph 3 of the Letter to Unitholders for further details.)

¹ "**Enlarged Portfolio**" consists of the Property and the Existing Portfolio (as defined herein).

INTERESTED PERSON TRANSACTION¹ AND INTERESTED PARTY TRANSACTION²

As at 23 August 2017, being the latest practicable date prior to the printing of this Circular (the “**Latest Practicable Date**”), 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”³ of First REIT and a “Controlling Shareholder”⁴ of the Manager, respectively, under both the Listing Manual of the SGX-ST (the “**Listing Manual**”) and the Property Funds Appendix.

For the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor, being an indirect wholly-owned subsidiary of the Sponsor, 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 Person⁵ and Interested Party⁶ of First REIT.

As such, the Buton Acquisition will constitute an Interested Person Transaction under Chapter 9 of the Listing Manual and an Interested Party Transaction under paragraph 5 of the Property Funds Appendix for which Unitholders’ approval is required. The Buton Master Leases will also constitute Interested Person Transactions under Chapter 9 of the Listing Manual for which Unitholders’ approval is required.

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

(See paragraph 4 of the Letter to Unitholders for further details.)

UNITHOLDERS SHOULD NOTE THAT BY APPROVING THE BUTON ACQUISITION, THEY ARE ALSO DEEMED TO HAVE APPROVED THE BUTON MASTER LEASES.

PRO FORMA FINANCIAL INFORMATION

Pro Forma Financial Effects 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 audited consolidated financial statements of First REIT and its subsidiaries for the financial year ended 31 December 2016 (“**FY2016**”, and the audited consolidated financial statements of First REIT and its subsidiaries for FY2016, 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 on the assumptions set out at paragraph 5.1 of the Letter to Unitholders.

- 1 “**Interested Person Transaction**” means a transaction between an entity at risk and an Interested Person (as defined herein).
- 2 “**Interested Party Transaction**” has the meaning ascribed to it in Paragraph 5 of the Property Funds Appendix.
- 3 “**Controlling Unitholder**” means a person who:
 - (a) holds directly or indirectly 15% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or
 - (b) in fact exercises control over the property fund.
- 4 “**Controlling Shareholder**” means a person who:
 - (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the company; or
 - (b) in fact exercises control over a company.
- 5 “**Interested Person**” means:
 - (a) In the case of a company, “interested person” means:
 - (i) a director, chief executive officer, or controlling shareholder of the issuer; or
 - (ii) an associate of any such director, chief executive officer, or controlling shareholder; and
 - (b) in the case of a REIT, shall have the meaning defined in the Code on Collective Investment Schemes issued by the MAS.
- 6 “**Interested Party**” means:
 - (a) a director, chief executive officer or controlling shareholder of the manager, or the manager, the trustee or controlling unitholder of the property fund; or
 - (b) an associate of any director, chief executive officer or controlling shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of the property fund.

FY2016

The pro forma financial effects of the Buton Acquisition on (i) the 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, and (ii) the net asset value (“NAV”) per Unit as at 31 December 2016, as if First REIT had purchased the Property on 31 December 2016, are as follows:

	Effects of the Buton Acquisition	
	Before the Buton Acquisition⁽¹⁾	After the Buton Acquisition
Distributable Income (S\$'000)	65,248	65,960
DPU (cents) ⁽²⁾	8.47	8.54
NAV per Unit (cents) ⁽³⁾	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 5,931,557 Units issued from 1 January 2017 to the date preceding the date of this Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

6M2017

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

	Effects of the Buton Acquisition	
	Before the Buton Acquisition⁽¹⁾	After the Buton Acquisition
Distributable Income (S\$'000)	33,235	33,588
DPU (cents) ⁽²⁾	4.28	4.31
NAV per Unit (cents) ⁽³⁾	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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

INDICATIVE TIMETABLE

The timetable for the events which are scheduled to take place after the EGM is indicative only and is subject to change at the Manager's absolute discretion. Any changes (including any determination of the relevant dates) to the timetable below will be announced.

Event	Date and Time
Last date and time for lodgement of Proxy Forms	: Monday, 18 September 2017 at 10.00 a.m.
Date and time of the EGM	: Thursday, 21 September 2017 at 10.00 a.m.
If approval for the Buton Acquisition and Buton Master Leases is obtained at the EGM:	
Target date for completion of the Buton Acquisition	: 29 September 2017 (or such other date as may be agreed between the Trustee and the Vendor)



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

Directors of the Manager

Mr Carl Gabriel Florian Stubbe (Chairman and Non-Executive
Non-Independent Director)
Mr Tan Chuan Lye (Lead Independent Director)
Mr Wong Gang (Independent Director)
Mr Ketut Budi Wijaya (Non-Executive Non-Independent Director)
Mr Tan Kok Mian Victor (Executive Director and Acting Chief Executive Officer)

Registered Office

50 Collyer Quay
#06-01 OUE Bayfront
Singapore 049321

30 August 2017

To: Unitholders of First Real Estate Investment Trust

Dear Sir/Madam

1. SUMMARY OF APPROVALS SOUGHT

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 primarily used for healthcare and/or healthcare-related purposes. In furtherance of First REIT's investment policy, the Manager is seeking the approval of Unitholders by way of Ordinary Resolutions at the extraordinary general meeting of Unitholders to be held on Thursday, 21 September 2017, at 10.00 a.m. (the "EGM") for the Buton Acquisition and Buton Master Leases.

2. THE PROPOSED BUTON ACQUISITION AND BUTON MASTER LEASES

2.1 Description of the Property

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 spaces. SHBN has a total GFA of 10,796 sq m¹. SHBN is a Centre of Excellence for Emergency & Trauma. Some of the medical facilities available at SHBN include 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.

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.

The Property is erected on land with a total land area of 21,874 sq m as specified in Right-to-Build Certificates No. 00033/Kelurahan Batulo and 00034/Kelurahan Batulo.

(See **APPENDIX A** of this Circular which provides further details about the Property.)

¹ Vehicle access road and open air parking for the Property is available on the adjacent land which is owned by the Sponsor. Pursuant to the Property CSPA, for so long as the IndoCo is the owner of the Property, the Vendor will, among others, provide and guarantee the availability of the access road and parking lot on the adjacent land owned by the Sponsor for visitors to the Property and the operations of the Property and the normal and reasonable function of such access road and parking lot to be used by the visitors to the Property and the operations of the Property without any substantial obstacle and/or disruption and will not conduct any action or enter into any agreement or arrangement with any party that may limit or restrict the availability of such access and parking lot to visitors to the Property and for the operations of the Property.

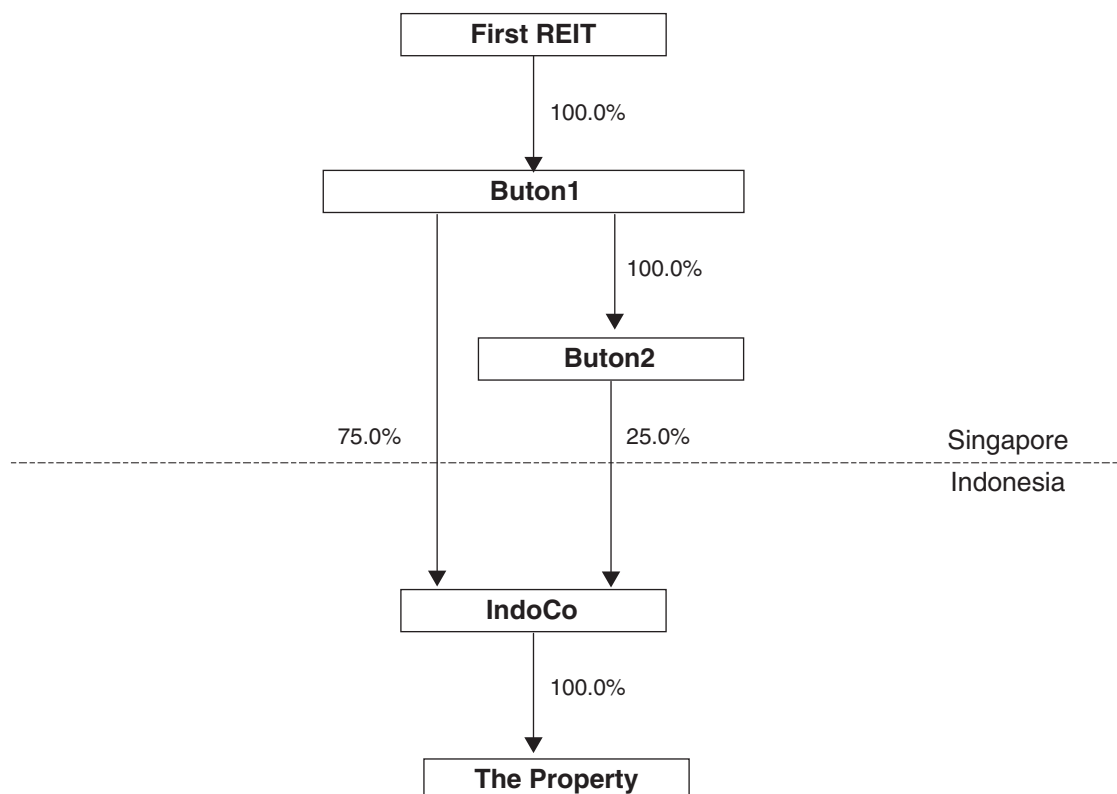
2.2 Structure of the Buton Acquisition

First REIT is seeking to acquire the Property for the Buton Total Consideration of Rp.273.60 billion (S\$28.50 million) from the Vendor, which directly wholly-owns the Property and is an indirect wholly-owned subsidiary of the Sponsor. For purposes of the Buton Acquisition, First REIT has incorporated Buton1, a wholly-owned subsidiary in Singapore, for a nominal consideration of S\$1.00. Buton1 has on 20 July 2017 entered into the Property CSPA for the Buton Acquisition.

As Indonesian Agrarian law does not allow a foreign entity or individual to directly own Indonesian real estate under a 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 the Novation Agreement. To this end, the Indonesian company which Buton1 intends to novate the Property CSPA to is IndoCo, a new Indonesian limited liability company that has recently been incorporated and which is wholly-owned by Buton1 and Buton1's wholly-owned subsidiary, 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.

The Vendor had entered into the BOT Agreement with the BOT Grantor on 16 June 2014 pursuant to which the Vendor (as the BOT Grantee) was granted certain rights in relation to a parcel of land owned by the BOT Grantor and covered by HPL title including the right to obtain HGB titles over such HPL. The BOT Agreement covers a land area of 33,367 sq m, on which four HGB titles certificates were granted to the Vendor. Under the Buton Acquisition, two out of four HGB titles will be acquired by First REIT (for the avoidance of doubt, the remaining two HGB titles, on which a loading dock, car park and cinema are located, are not part of the Buton Acquisition). Upon completion of the Buton Acquisition, First REIT will indirectly hold the Property through the IndoCo under two HGB title certificates 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 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.

The following chart sets out the structure under which the Property will be held by First REIT upon completion of the Buton Acquisition:



2.3 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:

- 2.3.1 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;
- 2.3.2 there having been no breach of any of the representations, warranties, covenants and/or undertakings provided in the Property CSPA, Deed of Indemnity (as defined below), Buton Master Lease Agreements 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**");
- 2.3.3 the requirements, licenses, authorizations, 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, 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, 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;
- 2.3.4 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;
- 2.3.5 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 the LPB;
 - (c) Wastewater Disposal Permit to the Source or Area Water for the 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;
- 2.3.6 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;

- 2.3.7 the entry into the Deed of Indemnity (as defined below) by PT WJP and the Trustee in a form and substance satisfactory to the Trustee;
- 2.3.8 the entry into the confirmation agreement by all parties to the Deed of Indemnity (as defined below) in a form and substance satisfactory to the Trustee;
- 2.3.9 the entry into the Novation Agreement by the Vendor, Buton1 and the IndoCo in a form and substance satisfactory to the parties;
- 2.3.10 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;
- 2.3.11 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;
- 2.3.12 the entry into the Buton Master Lease Agreements by the IndoCo (as lessor) and SHBN Master Lessees and the LPB Master Lessee (as master lessees) respectively in a form and substance satisfactory to the Trustee and the Manager;
- 2.3.13 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;
- 2.3.14 the obtainment of approval from the Board of Directors of the Manager;
- 2.3.15 the obtainment of approval of the Audit Committee of the Manager;
- 2.3.16 the obtainment of approval from the Trustee;
- 2.3.17 the passing at a general meeting of Unitholders of a resolution to approve the transactions contemplated herein;
- 2.3.18 the obtainment of an opinion from an independent financial adviser appointed by the Manager in a form and substance satisfactory to the Manager;
- 2.3.19 the obtainment of other approvals (if required) including those of the MAS and the SGX-ST;
- 2.3.20 the obtainment of all corporate approvals by each of the Vendor, the Sponsor, Siloam Lessee 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;
- 2.3.21 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, and the Property;
- 2.3.22 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;
- 2.3.23 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

2.3.24 the final list of equipment¹ in relation to the Property has been agreed in writing by the IndoCo.

2.4 Valuation

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. The valuations were derived by Rengganis and Alberth using the income approach utilising the discounted cash flow method as the subject property will be under master lease agreements. 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.

(See **APPENDIX B** of this Circular for further details on the Independent Valuers' respective valuations of the Property.)

2.5 Experience and track record of the Independent Valuers

Further to the decree of the Ministry of Finance of the Republic of Indonesia ("**MOF Indonesia**"), No. 101/PMK.01/2014 which has been amended by decree of the MOF No. 56/PMK.01/2017 on Public Appraisal (the "**Decree**"), before public appraisers provide services, they must obtain a license from MOF Indonesia and register at the Public Appraisal Register maintained by the MOF. In providing the services, the public appraisers must go through a Public Appraisal Services Office (*Kantor Jasa Penilai Publik/KJPP*) that has obtained a business license from MOF Indonesia. The Decree is intended to regulate the conduct of public appraisal services in Indonesia and it is likely that all relevant Indonesian governmental authorities would only recognise and accept appraisal reports from appraisers who have a license who act through KJPP that have a business license. To conduct business activities in Indonesia, Foreign Public Appraisal Services Offices (*Kantor Jasa Penilai Publik Asing/KJPPA*) may cooperate with a KJPP upon approval from MOF Indonesia.

Rengganis

Rengganis is an independent valuation firm registered in Indonesian Appraisers Society (*Masyarakat Profesi Penilai Indonesia*), previously known as PT Heburinas Nusantara in association with CBRE Pte. Ltd. (established in 1996). Effective 1 March 2010, Rengganis established a strategic alliance with CBRE Pte. Ltd., a global property services company. Rengganis is provided with a business permit from the Ministry of Finance and registered with the Indonesian Financial Services Authority. Its valuation staff has international and domestic experience and its clientele includes major international and local companies.

Alberth

Alberth is a public valuation firm which was formed in December 2012 and is the successor of KJPP Rinaldi Riki & Rekan (formed previously in March 2009), and itself is a continuation of PT Perintis Inovasindo Utama. Alberth provides a wide range of professional services to the property industry and financial community, including property asset valuations in Indonesia, both for government and private purposes. The partners of Alberth are qualified public valuers licensed with MOF Indonesia and are also senior members of MAPPI with an average experience of 15 years in valuation practice, including the former position of Head of Valuer's Board in Indonesia.

¹ The list of equipment in relation to the Property will include the fixed and/or movable plant and equipment (including, without limitation, all fixtures, lifts, air-conditioning equipment, and other equipment) required for the operation of the Property.

2.6 BPHTB and VAT

BPHTB

The purchase of the land and building from the Vendor by the IndoCo is subject to the land and building acquisition tax (*Biaya Perolehan Hak Atas Tanah dan Bangunan*) (“**BPHTB**”) at the rate of 5%, whichever is higher between the purchase price or the sale value of the tax object as determined by the head of local government. The Buton Total Consideration is inclusive of the BPHTB.

VAT

The IndoCo will be charged value-added tax (“**VAT**”) at the rate of 10% on the purchase of the Property. The VAT charges by the Vendor will be treated as input VAT, which can be used to offset the output VAT from rental income of the IndoCo.

(See **APPENDIX F** of this Circular for further details.)

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**”). These conditions include, among others, that:

- (a) the maximum aggregate liability of PT WJP to the Trustee in respect of all claims under the Deed of Indemnity shall not exceed the Buton Total Consideration plus all fees, duties and other expenses incurred by the Trustee in connection with the Property CSPA and the Deed of Indemnity;
- (b) no claim shall be brought against PT WJP unless written particulars shall have been notified in writing to PT WJP before the expiry of a period of 48 months for taxation claims and 24 months for any other claims, from the completion of the Buton Acquisition;
- (c) unless such claim has already been settled to the satisfaction of the Trustee, proceedings in respect of the claim shall have been commenced by being both issued and served within four months of the expiry of the period mentioned in sub-paragraph 2.7(b) above; and
- (d) the Trustee shall not be entitled to recover from PT WJP for a breach under the Deed of Indemnity or a breach under the Property CSPA more than once in respect of the same losses suffered or incurred, and accordingly PT WJP shall not be liable in respect of a claim under the Deed of Indemnity, if and to the extent that such losses are or have been included in a claim under the Property CSPA which has been satisfied, and *vice versa*.

2.8 Buton Acquisition Cost

The Buton Acquisition Cost to be incurred by First REIT is currently estimated to be approximately S\$29.44 million comprising:

- (i) the Buton Total Consideration¹ of S\$28.50 million;
- (ii) the Buton Acquisition Fee of S\$285,000² payable to the Manager pursuant to Clause 14.2.1 of the Trust Deed which is payable in the form of the Buton Acquisition Fee Units; and
- (iii) the professional and other fees and expenses incurred or to be incurred by First REIT in connection with the Buton Acquisition of approximately S\$650,000³.

1 The Buton Total Consideration is inclusive of the applicable BPHTB and exclusive of VAT to be paid to the relevant tax office by the IndoCo.

2 Being 1.0% of the Buton Total Consideration.

3 It is expected that most of the professional and other fees and expenses in connection with the Buton Acquisition will be incurred by First REIT even if the Manager does not proceed with the Buton Acquisition.

2.9 Method of Financing the Buton Acquisition

The Buton Total Consideration will be paid in cash on the date of completion of the Buton Acquisition. The Buton Acquisition Cost (excluding the Buton Acquisition Fee Units payable to the Manager) 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 to be employed will be made by the Manager at the appropriate time taking into account the relevant market conditions.

As at the Latest Practicable Date, First REIT has an aggregate leverage of 31.0%. Under the Property Funds Appendix, First REIT's aggregate leverage may not exceed 45.0% of its Deposited Property¹. Assuming that the Buton Acquisition is financed 100.0% with borrowings, First REIT's aggregate leverage will increase from 31.0% to approximately 32.6%, which is within the maximum aggregate leverage limit of 45.0% under the Property Funds Appendix.

2.10 Completion

Completion of the sale and purchase of the Property by the IndoCo under the Property CSPA is expected to take place as soon as practicable after First REIT raises adequate proceeds for the Buton Acquisition and after the conditions precedent set out in the Property CSPA have been fulfilled.

2.11 HGB / "Right to Build" Land Titles

Save for Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Sriwijaya, which are held via HGB titles over HPL titles under a Built Operate and Transfer scheme all of First REIT's Indonesian Properties (as defined herein) are held via HGB titles over state land.

In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of 'leasehold' title and under Indonesian Agrarian Law, the highest title which can be obtained by a company incorporated or located in Indonesia is a 'Right to Build' or HGB title. HGB title certificates can only be obtained by an Indonesian citizen, or by a legal entity which is incorporated under Indonesian law and located in Indonesia including foreign capital investment companies. A holder of the HGB title has the right to erect, occupy and use buildings on the parcel of land and sell all or part of such parcel. This right is transferable and may be encumbered. A HGB title can be granted over State Land, HPL title, or Right to Own (*Hak Milik*) title. A HGB title is granted for a maximum initial term of 30 years. A HGB title granted over State Land and HPL titles may be extended for an additional term not exceeding 20 years. The application for an extension must be made no later than two years prior to the expiration of the initial term to the relevant local land office. Upon the expiration of the extension, the land owner may apply for a renewal and a new HGB title may be granted on the same land to the same owner for a maximum period of 30 years by fulfilling certain requirements. The application for the new HGB title should be made no later than two years prior to the expiration of the extension. A HGB Title granted upon Right To Own title can be renewed based on the agreement between the holder of Right To Own and Right To Build upon the expiry of the initial term. The cost of extension is determined based on certain formulas as stipulated by the National Land Office. The National Land Office tends to grant an extension or renewal of HGB title certificates, subject to there being no changes in zoning policies by the government, abandonment of the land, destruction of land, egregious breaches of the conditions of the current HGB title by the owners of the land, and revocation of the HGB title due to public interest considerations.

Pursuant to Article 35 of Government Regulation No.40 of 1996 regarding Right to Cultivate, Right to Build and Right to Use, a HGB will terminate, among others:

- (i) upon expiry of the HGB period stated in the relevant decision or agreement with respect to the grant or extension of the HGB;
- (ii) if revoked by the authorised government authority, the HPL holder or the Right of Ownership (*Hak Milik* or "**HM**") holder prior to its expiry due to, among others, (a) non-fulfilment of the obligations of the HGB holder, (b) non-compliance with the requirements or obligations stated in the agreement granting HGB between the HGB holder and the HM holder or agreement with respect to the use of HPL land, or (c) a final and binding court decision;

¹ "**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.

- (iii) if voluntarily released by the HGB holder prior to its expiry;
- (iv) if abandoned;
- (v) if the land vanishes; or
- (vi) if the HGB holder is no longer eligible to hold the HGB based on the requirements set out in Article 19 of this regulation, and fails to transfer its rights over the HGB to an eligible party within one year.

In 2012, the Manager had successfully renewed two of the HGB titles of Siloam Hospitals Lippo Village for a period of 20 years to 26 July 2032 and four of the HGB titles of Imperial Aryaduta Hotel & Country Club for a period of 20 years to 26 July 2032.

In 2013, the Manager had successfully renewed one of the HGB titles of Siloam Hospitals Surabaya for a period of 20 years to 30 March 2033.

In 2014, the Manager had successfully renewed one of the HGB titles of Siloam Hospitals Lippo Village for a period of 20 years to 26 October 2035, eight of the HGB titles of Imperial Aryaduta Hotel & Country Club for a period 20 years to 26 October 2035 and two of the HGB titles of Siloam Hospitals Surabaya for a period of 20 years to 8 May 2034.

In 2016, the Manager had successfully renewed the HGB title of Siloam Hospitals Kebon Jeruk for a period of 20 years to 10 August 2037.

The Vendor had entered into the BOT Agreement with the BOT Grantor dated 16 June 2014 pursuant to which the Vendor (as the BOT Grantee) was granted certain rights in relation to a parcel of land owned by the BOT Grantor and covered by HPL title including the right to obtain HGB titles over such HPL. The BOT Agreement covers a land area of 33,367 sq m, on which four HGB titles certificates were granted to the Vendor. Under the Buton Acquisition, two out of four HGB titles will be acquired by First REIT (for the avoidance of doubt, the remaining two HGB titles, on which a loading dock, car park and cinema are located, are not part of the Buton Acquisition). Upon completion of the Buton Acquisition, First REIT will indirectly hold the Property through the IndoCo under two HGB title certificates 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 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.

2.12 Buton Master Lease Agreements

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

- (i) the SHBN Master Lease Agreement with the Sponsor and the Siloam Lessee (as the SHBN Master Lessees); and
- (ii) the LPB Master Lease Agreement with the Vendor (as the LPB Master Lessee).

Under the SHBN Master Lease Agreement, the IndoCo will grant the SHBN Master Lessees 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 LPB Master Lessee 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.

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

2.12.1 SHBN Master Lease Agreement

(i) SHBN Base Rent

The SHBN Master Lease is granted at an initial base rent of S\$1.60 million (Rp.15.36 billion) (the “**SHBN Base Rent**”)¹ per annum. In the absence of direct hospital asset comparables, the Manager has used Siloam Hospitals Kupang (“**SHKP**”) of Siloam Hospitals Kupang & Lippo Plaza Kupang (the “**Kupang Property**”), for which the tenant is currently paying S\$1.38 per square foot (“**sq ft**”) per month, as a comparison with SHBN and for which the tenant will be paying S\$1.15 per sq ft per month based on the contracted base rent. The rate of S\$1.15 per sq ft per month was arrived at based on commercial negotiations between willing parties. At this rental rate, First REIT will be able to achieve its required rate of return. Due to the lack of prior transactions and relevant data of other comparable hospitals and medical centres in Indonesia, especially those with sales and master lease arrangements similar to the subject property, the Manager is of the view that SHKP is the closest and best comparable to SHBN in terms of geographical location and asset characteristics. As the yield in relation to the annual SHBN Base Rent meets the Manager’s commercial requirements and is in line with current market rates, the Manager is of the view that it is reasonable.

The current yield of the Property in comparison with First REIT’s Indonesian Properties is as follows:

Property	Current Yield (% p.a.)
Siloam Hospitals Lippo Village	8.95
Siloam Hospitals Kebon Jeruk	8.55
Siloam Hospitals Surabaya	10.74
Imperial Aryaduta Hotel & Country Club	9.52
Mochtar Riady Comprehensive Cancer Centre	8.36
Siloam Hospitals Lippo Cikarang	8.78
Siloam Hospitals Manado & Hotel Aryaduta Manado	8.36
Siloam Hospitals Makassar	8.09
Siloam Hospitals Bali	7.91
Siloam Hospitals Simatupang	7.86
Siloam Hospitals Purwakarta	8.29
Siloam Sriwijaya	9.13
Siloam Hospitals Kupang & Lippo Plaza Kupang	9.99
Siloam Hospitals Labuan Bajo	8.99
Siloam Hospitals Buton & Lippo Plaza Buton	9.97

Based on the current yields as shown in the table above, the Manager is of the opinion that SHBN’s rental yield as a component of the Buton Master Leases is comparable to that of the other properties, and the rental rate is therefore reasonable. Furthermore, rental yields vary from asset to asset depending on the inherent characteristics of the assets.

¹ The initial SHBN Base Rent of S\$1.60 million is computed as follows: 10,796 sq m (SHBN’s GFA) x S\$1.15 per sq ft per month (SHBN’s base rental rate) x 12 months x 10.764 (to convert sq m into sq ft) = \$1.60 million per annum.

(Paragraph 2.12.7 below provides details of the opinion of the audit committee of the Manager, comprising Mr Tan Chuan Lye, Mr Wong Gang and Mr Carl Gabriel Florian Stubbe (the “**Audit Committee**”) on the SHBN Base Rent and the LPB Base Rent (as defined below) for the first year of the Buton Master Leases.)

The Base Rent is 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 calendar 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 SHBN is pegged to the Singapore CPI, as is the case with the Existing Portfolio¹. 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 the Singapore Dollar to Indonesian Rupiah exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,600, 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**

Variable rent in relation to the SHBN Master Lease (the “**SHBN Variable Rent**”) is payable quarterly in advance. No SHBN Variable Rent will be payable for the Initial Five-Year Period of the SHBN Master Lease as this will enable the tenant to conserve its cash flow to step up and enhance its operations to an optimal level. SHBN Variable Rent for the sixth year and for subsequent years of the SHBN Master Lease is based on the Gross Operating Revenue² growth and is calculated as described in paragraph 2.12.1(iii) below. The Manager also notes that the SHBN Base Rent already

1 “**Existing Portfolio**” means the portfolio of properties currently held by First REIT, consisting of: its properties in Indonesia being 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 Lantor Residence; and its property in the Republic of South Korea, Sarang Hospital.

2 “**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 the property, as audited for such period commencing 1 January and ending on 31 December of the same year (“**fiscal year**”).

forms the main bulk of the SHBN Total Rent¹ and which already adequately meets First REIT's required rate of return. The SHBN Variable Rent constitutes only a small proportion of the SHBN Total Rent².

In the event the Singapore Dollar to Indonesian Rupiah exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,600, 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 SHBN Total Rent payable by the Sponsor and the Siloam Lessee in respect of such quarter.

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

No SHBN Variable Rent will be payable in 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 is computed as follows:

- 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 SHBN Variable Rent payable by the master lessees of SHBN shall be equivalent to 0.75% of such excess amount;
- 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 SHBN Variable Rent payable by the master lessees of SHBN shall be equivalent to 1.25% of such excess amount; and
- 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 SHBN Variable Rent payable by the master lessees of SHBN shall be equivalent to 2.0% of such excess amount.

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

(iv) **Illustration of Computation of SHBN Variable Rent**

(a) **Assumptions**

The following is an illustration of the computation of the SHBN Variable Rent in relation to SHBN for the sixth year of lease based on the assumptions that:

- (I) the SHBN Master Lease commenced on 1 January 2018;
- (II) the sixth year of lease will commence on 1 January 2023;

¹ "SHBN Total Rent" refers to the sum of the SHBN Base Rent and the SHBN Variable Rent.

² For illustrative purposes, the variable rent in respect of SHBN will comprise approximately 4.86% of the SHBN Total Rent for the 6th year of the SHBN Master Lease, based on the assumptions set out in paragraph 2.12.1(iv) below and assuming that the SHBN Base Rent increases by the cap of 2.0% after the Initial Five-Year Period.

- (III) the Gross Operating Revenue for the financial year ended 31 December 2021 (“FY2021”) is Rp.100,000,000,000;
- (IV) the Gross Operating Revenue for the financial year ended 31 December 2022 (“FY2022”) is Rp.140,000,000,000; and
- (V) further to sub-paragraphs 2.12.1(iv)(a)(III) and (IV) above, the SHBN Gross Operating Revenue growth for FY2022 over that of FY2021 is 40% and the surplus of the SHBN Gross Operating Revenue for FY2022 over that of FY2021 is Rp.40,000,000,000.

(b) **SHBN Variable Rent for the sixth year**

Based on the assumptions set out in sub-paragraph 2.12.1(iv)(a) above, the SHBN Variable Rent in respect of SHBN for the sixth year of lease will be 2.0% X Rp.40,000,000,000 (i.e. Rp.800,000,000; or approximately S\$83,333¹). The rate of 2.0% is derived from the terms of the SHBN Master Lease Agreement for computation of the SHBN Variable Rent as set out in paragraph 2.12.1(iii) above.

2.12.2 LPB Master Lease Agreement

LPB Base Rent

The LPB Master Lease is granted at an initial base rent of S\$1.242 million (Rp.11.92 billion) (the “**LPB Base Rent**”)² per annum. The rate of S\$0.86 per sq ft per month was arrived at based on commercial negotiations at arm’s length basis between willing parties. In the absence of direct retail asset comparables, the Manager has used Lippo Plaza Kupang (“**LPK**”) of the Kupang Property, for which the tenant is currently paying S\$0.71 per sq ft per month, as a comparison with LPB and for which the tenant will be paying S\$0.86 per sq ft per month based on the contracted base rent. The rate of S\$0.86 per sq ft per month was arrived at based on commercial negotiations between willing parties. At this rental rate, First REIT will be able to achieve its required rate of return. As the yield in relation to the annual LPB Base Rent meets the Manager’s commercial requirements and is in line with current market rates, the Manager is of the view that it is reasonable.

The LPB Base Rent is payable quarterly in advance and will be subject to increase every year after the Initial Five Year Period from the commencement of the LPB Master Lease, at a rate equal to twice the percentage increase of the Singapore CPI for the preceding calendar 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 is pegged to the Singapore CPI, as is the case with the Existing Portfolio. 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 the Singapore Dollar to Indonesian Rupiah exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,600, 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.

1 The total variable rent payable in respect of SHBN in the sixth year of lease and based on the fixed exchange rate of S\$1.00 to Rp.9,600.

2 The initial LPB Base Rent of S\$1.242 million is computed as follows: 11,138 sq m (LPB’s GFA) x S\$0.86 per sq ft per month x 12 months x 10.764 (to convert sq m into sq ft) = \$1.242 million per annum.

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 LPB Master Lessee to be in a better position to manage its cash flow and allow First REIT to enjoy more stable rental payments over a long lease term. For the avoidance of doubt, a negative Singapore CPI will not decrease the annual LPB Base Rent.

(Paragraph 2.12.7 below provides details of the opinion of the Audit Committee on the SHBN Base Rent and the LPB Base Rent for the first year of the Buton Master Leases.)

2.12.3 Fixed Exchange Rate

The SHBN Total Rent and the LPB Base Rent shall be paid in Indonesian Rupiah. In the event the Singapore Dollar to Indonesian Rupiah exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,600¹, the SHBN Total Rent and LPB Base Rent shall be adjusted accordingly based on the following formula:

$$\text{Total Rent} / \text{Rp.9,600} \times \text{BI Market Rate},$$

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

2.12.4 Assignment/Sub-letting

(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 Sponsor 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 Sponsor 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 sub-let SHBN without 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; 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 SHBN Master Lessees shall extend to the IndoCo;

¹ For the avoidance of doubt, the exchange rate of S\$1.00 to Rp.9,600 is a fixed exchange rate that is agreed between the IndoCo and the SHBN Master Lessees and the IndoCo and the LPB Master Lessee for purposes of the SHBN Master Lease Agreement and the LPB Master Lease Agreement respectively, and it will not vary throughout the lease.

- (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 LPB Master Lessee, 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 LPB Master Lessee 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.

2.12.5 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 Lease¹.

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
- (c) all capital expenses relating to LPB for the first two years of the LPB Master Lease².

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

2.12.6 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 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 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.

¹ 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.

² 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.

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:

- (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 IndoCo and the LPB Master Lessees to its full insurable amount as assessed by 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. 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 IndoCo and the LPB Master Lessees against claims for personal injury, death or property damage or loss, arising out of all operations of the LPB Master Lessees and its permitted occupiers in LPB; and
- (d) an insurance policy covering all of the LPB Master Lessees' risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the LPB Master Lessees 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.

2.12.7 Audit Committee's opinion on the SHBN Base Rent and LPB Base Rent for the first year of the Buton Master Leases

The size, location and age of the Property and the Kupang Property are set out in the table below:

Property	Location	GFA (sq m)	Age of Property (years)
Kupang Property	Kupang, East Nusa Tenggara, Indonesia	55,368	Two
The Property	Bau Bau, Southeast Sulawesi, Indonesia	21,934	One

The Audit Committee is of the opinion that it is reasonable to benchmark the rental rates of the Property to the Kupang Property for the following reasons:

- (i) SHBN and SHKP provide primary, secondary and tertiary healthcare services with advanced and high-quality medical care and facilities;
- (ii) both the Property and the Kupang Property comprise similar asset compositions of hospital and mall, and are prominently located within their respective city centres; and
- (iii) both the Property and the Kupang Property are relatively new properties, with relatively new hospitals and malls.

The tenant of the Kupang Property is currently paying S\$0.97 per sq foot per month. In view of the above reasons, the Audit Committee is of the opinion that the Property's combined base rental rate of S\$1.00¹ per sq ft per month for the first year of the Buton Master Leases under the Buton Master Lease Agreements is reasonable.

¹ The Property's combined base rental rate of S\$1.00 per sq ft per month for the first year of the Buton Master Leases is computed by dividing the total base rent of SHBN and LPB in the first year of S\$2.842 million divided by the total GFA of SHBN and LPB of 21,934 sq m (236,095.6 sq ft) divided by 12 months.

2.12.8 Indonesian Currency Law

On 28 June 2011, the Government of the Republic of Indonesia issued Law No. 7 of 2011 concerning Currency ("**Law 7/2011**") and on 31 March 2015, Bank Indonesia issued the Bank Indonesia Regulation No. 17/3/PBI/2015 concerning Mandatory Use of Rupiah Currency in Indonesian Territory (*Penggunaan Rupiah di Wilayah Negara Kesatuan Republik Indonesia*) ("**BI Regulation No.17/2015**") which implementation is further regulated in Circular Letter of Bank Indonesia No. 17/11/DKSP dated 1 June 2015. The terms and conditions of the Transaction Documents (as defined in the Property CSPA) will be subject to Law 7/2011 and BI Regulation No. 17/2015.

Based on BI Regulation No.17/2015, Indonesian Rupiah currency shall be used in cash and non-cash transactions, including (i) each transaction which requires payment, (ii) other obligations which are settled by cash, and/or (iii) other financial transactions (including deposit in Rupiah in various amounts and types of Rupiah denomination from customer to banks), in each case within the territory of the Republic of Indonesia, subject to certain exceptions including:

- (i) certain transactions relating to the implementation of state revenue and expenditures;
- (ii) the receipt or provision of grants either from or to overseas;
- (iii) bank deposit in foreign exchange;
- (iv) international financing transaction; and
- (v) transactions in foreign currency conducted in accordance with the prevailing laws and regulations (such as any business in foreign currency conducted by banks; transactions in the primary and secondary market on securities issued by the government in foreign currency).

Law 7/2011 and BI Regulation No. 17/2015 also provide that a party is prohibited from refusing to receive Indonesian Rupiah for payment or settlement of obligations which should be settled by Indonesian Rupiah and/or for other financial transactions within the territory of the Republic of Indonesia, unless:

- (a) there is uncertainty on the authenticity of the Indonesian Rupiah bills offered; or
- (b) the parties to the transaction have agreed in writing to the payment or settlement of obligations in foreign currencies.

However, BI Regulation No. 17/2015 further clarifies that the above exemption applies only for:

- (I) agreements relating to transactions exempted from the mandatory use of Indonesian Rupiah as referred to in BI Regulation No. 17/2015 such as the transactions set out in paragraphs 2.12.8(i) to 2.12.8(v) above; or
- (II) agreements for strategic infrastructure projects which have been approved by Bank Indonesia.

As BI Regulation No. 17/2015 as the implementing regulation of Law 7/2011 is new and untested, there is uncertainty as to how it will be applied or interpreted.

Since First REIT is required to receive income from its Indonesian Properties¹ in Indonesian Rupiah, its revenue will be affected by fluctuations in the exchange rates of the Indonesian Rupiah with respect to any master lease agreements entered into by it from 1 July 2015, save

¹ "**Indonesian Properties**" means the portfolio of properties in Indonesia currently held by First REIT, consisting of: 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 and Imperial Aryaduta Hotel & Country Club.

to the extent mitigated by the formula to adjust the SHBN Base Rent and SHBN Variable Rent for the SHBN Master Lease and the LPB Base Rent for the LPB Master Lease as described in paragraphs 2.12.1(i) and 2.12.1(ii) and 2.12.2 above. The impact of future exchange rate fluctuations on First REIT's liabilities and property expenses cannot be accurately predicted and the Indonesian Rupiah may not be readily convertible or exchangeable or may be subject to exchange controls. There is also the risk that movements in the Indonesian Rupiah / Singapore dollar exchange rate may adversely affect repayments or repatriation of funds from Indonesia to Singapore.

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 primarily¹ used for healthcare and/or healthcare-related purposes².

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 complementary 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-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 Southeast 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.

1 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.

2 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.

3.3 Increased income stability of First REIT through the Buton Master Leases and an increase in First REIT's 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 Income¹ 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 are between 10 to 15 years. After the completion of the Buton Acquisition, First REIT will benefit from the increase in the Enlarged Portfolio's 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 Property 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 Indonesian 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.

¹ "Gross Rental Income" refers to the contracted rent under the master lease agreements in relation to the Property and the portfolio of properties currently held by First REIT, which comprises base rent and variable rent (where applicable).

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, neurology.

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. REQUIREMENT FOR UNITHOLDERS' APPROVAL

4.1 Interested Person Transaction and Interested Party Transaction

Under Chapter 9 of the Listing Manual, where First REIT proposes to enter into a transaction with an Interested Person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000 with the same Interested Person during the same financial year) is equal to or exceeds 5.0% of First REIT's latest audited net tangible assets ("NTA"), Unitholders' approval is required in respect of the transaction.

Based on the FY2016 Audited Consolidated Financial Statements, the NTA of First REIT was S\$777.7 million as at 31 December 2016. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by First REIT with an Interested Person is, either in itself or in aggregate with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same Interested Person during the current financial year, equal to or in excess of S\$38.9 million, such a transaction would be subject to Unitholders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders' approval for an Interested Party Transaction by First REIT which value exceeds 5.0% of First REIT's latest audited NAV. Based on the FY2016 Audited Consolidated Financial Statements, the NAV of First REIT was S\$777.7 million as at 31 December 2016. Accordingly, if the value of a transaction which is proposed to be entered into by First REIT with an Interested Party is equal to or greater than S\$38.9 million, such a transaction would be subject to Unitholders' approval.

As at the Latest Practicable Date, 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" of First REIT and a "Controlling Shareholder" of the Manager, respectively, under both the Listing Manual and the Property Funds Appendix.

For the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor being an indirect wholly-owned subsidiary of the Sponsor, and 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 Person and Interested Party of First REIT.

Given the Buton Total Consideration of Rp.273.60 billion (S\$28.50 million) (which is 3.66% of the NTA and NAV respectively of First REIT as at 31 December 2016) and the value of the Buton Master Leases of approximately S\$42.6 million¹ (which is 5.48% of the NTA and NAV respectively of First REIT as at 31 December 2016), the 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 Transactions under Chapter 9 of the Listing Manual and Interested Party Transactions under Paragraph 5 of the Property Funds Appendix.

In compliance with the requirements of the Listing Manual and the Property Funds Appendix, the Manager is therefore seeking Unitholders' approval for the Buton Acquisition and the Buton Master Leases.

¹ Based on the total SHBN Base Rent and LPB Base Rent payable under the Buton Masters Lease for the 15 year term, assuming that there is no change in the initial base rent of S\$1.6 million per annum and S\$1.24 million per annum respectively.

UNITHOLDERS SHOULD NOTE THAT BY APPROVING THE BUTON ACQUISITION, THEY ARE ALSO DEEMED TO HAVE APPROVED THE BUTON MASTER LEASES.

4.2 Existing Interested Person Transactions

Prior to the Latest Practicable Date, 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. The management fees paid during the current financial year are set out in the Trust Deed, which has been approved as an “exempted agreement” pursuant to First REIT’s initial public offering.

4.3 Fees Payable to the Manager

As the Buton Acquisition will constitute an Interested Party Transaction under the Property Funds Appendix, the Buton Acquisition Fee of S\$285,000 shall be payable to the Manager in the form of the Buton Acquisition Fee Units. The Buton Acquisition Fee Units shall not be sold within one year from their date of issuance, in accordance with Paragraph 5.7 of the Property Funds Appendix which applies to Interested Party Transactions. 214,012¹ Buton Acquisition Fee Units are expected to be issued to the Manager for the Buton Acquisition.

After completion of the Buton Acquisition, the Manager will also be entitled under the Trust Deed to receive from First REIT, management fees attributable to the Property comprising a base fee of 0.4% per annum of the value of the Property and a performance fee of 5.0% per annum of the Net Property Income² of the Property. The Manager will be entitled to the management fees attributable to the Property in the future for so long as the Property continues to form part of the investment portfolio of First REIT.

4.4 Approval by Unitholders for the Buton Acquisition and the Buton Master Leases

In approving the Buton Acquisition and the Buton Master Leases, Unitholders are deemed to have approved all documents which are required to be executed by the parties in order to give effect to the Buton Acquisition and the Buton Master Leases. These agreements are therefore not subject to Rules 905 and 906 of the Listing Manual (which require First REIT to make an announcement or obtain the approval of Unitholders depending on the materiality of the Interested Person Transactions) insofar as there are no subsequent changes to the rental, rates and/or basis of the fees charged thereunder which will adversely affect First REIT. Future renewal or extension of the agreements will be subject to Rules 905 and 906 of the Listing Manual.

4.5 Interests of Directors and Substantial Unitholders

Interests of the Directors of the Manager

As at the Latest Practicable Date, the details of the unitholdings of the 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 Latest Practicable Date.

- 1 Clause 14.2.1(i) of the Trust Deed allows the Manager to receive the Buton Acquisition Fee Units at an issue price equal to the volume weighted average traded price for a Unit for all trades on the SGX-ST for the 10 Market Days prior to the issuance of the Buton Acquisition Fee Units. The number of Buton Acquisition Fee Units has been calculated based on an assumed issue price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.
- 2 “Net Property Income” consists of contracted rent under the master lease agreements in relation to the Enlarged Portfolio which comprises base rent and variable rent (where applicable) less property expenses.

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.

Interests of the Substantial Unitholders

Based on the Register of Substantial Unitholders as at the Latest Practicable Date, 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
Bowsprit Capital Corporation Limited	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 Latest Practicable Date.
- (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; (ii) 24,238,264 Units held by its indirect wholly-owned subsidiary, PT Menara Tirta Indah; and (iii) the Units held by Bowsprit Capital Corporation Limited (please see table above).

As at the Latest Practicable Date, 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.

4.6 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.

4.7 Major Transactions – Chapter 10 of the Listing Manual

4.7.1 Chapter 10 of the Listing Manual governs the acquisition or disposal of assets, including options to acquire or dispose of assets, by First REIT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse takeovers.

4.7.2 A proposed acquisition by First REIT may fall into any of the categories set out in paragraph 4.7.1 above depending on the size of the relative figures computed on the following bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with First REIT's net profits; and
- (ii) the aggregate value of the consideration given, compared with First REIT's market capitalisation.

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 (i) such transaction is in the ordinary course of First REIT's business or (ii) in the case of an acquisition of profitable assets, the only limit breached is the profit test set out in sub-paragraph 4.7.2(i) above.

4.7.3 The relative figures for the Buton Acquisition using the applicable bases of comparison described in sub-paragraphs 4.7.2(i) and 4.7.2(ii) 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\$1,042.86 million ^{(5),(6)}	2.73%

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 FY2016 Audited Consolidated Financial Statements.
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$1.340 per Unit on the SGX-ST on the Latest Practicable Date.
- (6) Based on Units in issue as at the Latest Practicable Date.

5. PRO FORMA FINANCIAL INFORMATION

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 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 6M2017 Unaudited Consolidated Financial Statements, 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 bank loan;
- (iii) an assumed issued price of S\$1.3317, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date for the management fee and Buton Acquisition Fee payable to the Manager 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 total 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). 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 bank loan 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 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)}	772,320,491	772,601,259
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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

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	771,860,250
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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

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⁾ (S\$'000)	As adjusted for the Buton Acquisition (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	1,252,188	1,283,320

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	778,532,816
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 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

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	777,102,627
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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

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⁾ (S\$'000)	As adjusted for the Buton Acquisition (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. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

The Manager has appointed Stirling Coleman Capital Limited (the "IFA") to advise the independent directors of the Manager (being Mr Tan Chuan Lye and Mr Wong Gang) (collectively, the "Independent Directors") and the Trustee as to whether 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.

Having considered the factors and made the assumptions set out in the letter from the IFA to the Independent Directors and the Trustee containing its advice (the “**IFA Letter**”), and subject to the qualifications set out therein, the IFA is of the opinion that the Buton Acquisition and the Buton Master Leases are based on normal commercial terms and not prejudicial to the interests of First REIT and its minority Unitholders. Accordingly, the IFA is of the view that the Independent Directors should recommend that Unitholders vote in favour of the Buton Acquisition (including the Buton Master Leases).

A copy of the IFA Letter, containing its advice in full, is set out in **APPENDIX D** of this Circular.

7. RECOMMENDATION

The Independent Directors and the Audit Committee have considered the relevant factors, including:

- (i) the opinion of the IFA that the Buton Acquisition and the Buton Master Leases are based on normal commercial terms and not prejudicial to the interests of First REIT and its minority Unitholders and that it is accordingly of the view that the Independent Directors should recommend that the Unitholders vote in favour of the Buton Acquisition (including the Buton Master Leases) (the IFA’s opinion on the Buton Acquisition and the Buton Master Leases is set out in the IFA Letter in **APPENDIX D** of this Circular); and
- (ii) the rationale for the Buton Acquisition and the Buton Master Leases as set out in paragraph 3 above,

and believe that the Buton Acquisition and the Buton Master Leases (including the terms of the Buton Master Leases as a whole, such as the SHBN Base Rent and SHBN Variable Rent and the LPB Base Rent) are based on normal commercial terms and would not be prejudicial to the interests of First REIT or its minority Unitholders.

Accordingly, the Independent Directors recommend that Unitholders vote at the EGM in favour of the resolution to approve the Buton Acquisition and the Buton Master Leases.

8. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Pacific 3, Level 1, Pan Pacific Singapore, 7 Raffles Boulevard, Marina Square, Singapore 039595 on **Thursday, 21 September 2017**, at **10.00 a.m.**, for the purpose of considering and, if thought fit, passing with or without modification, the resolution set out in the Notice of Extraordinary General Meeting, which is set out on pages G-1 to G-2 of this Circular. The purpose of this Circular is to provide Unitholders with relevant information about the resolution. Approval by way of Ordinary Resolution is required in respect of the Buton Acquisition and the Buton Master Leases.

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited (“**CDP**”) as at 72 hours before the time fixed for the EGM.

9. ABSTENTIONS FROM VOTING

9.1 Relationship between the Sponsor, the Manager and First REIT

As at the Latest Practicable Date, 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” of First REIT as well as a “Controlling shareholder” of the Manager respectively.

9.2 Abstention from Voting

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested. The relevant associates of the Sponsor (other than the Manager) are Bridgewater International Ltd and PT Menara Tirta Indah.

Given that the Property will be acquired from the Vendor, which is an indirect wholly-owned subsidiary of the Sponsor, and that the Buton Master Leases will be entered into with the Sponsor

and an indirect subsidiary of the Sponsor (which in turn is a Controlling Unitholder of First REIT and a Controlling Shareholder of the Manager), (i) the Sponsor and the Manager will abstain, and will procure that their associates will abstain, from voting at the EGM on the resolution (in relation to the Buton Acquisition and the Buton Master Leases); and (ii) will not, and will procure that their associates will not, accept appointments as proxies in relation to the Resolution unless specific instructions as to voting are given. The Manager will disregard any votes cast at the EGM on the resolution by the Sponsor, the Manager and their associates.

10. ACTION TO BE TAKEN BY UNITHOLDERS

Unitholders will find enclosed in this Circular the Notice of Extraordinary General Meeting and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than Monday, 18 September 2017 at 10.00 a.m. being 72 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person at the EGM if he so wishes.

Persons who have an interest in the approval of the resolution must decline to accept appointments as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the resolution.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Buton Acquisition, the Buton Master Leases, First REIT and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

12. CONSENTS

Each of the IFA, the Independent Valuers, the Independent Healthcare Research Consultant and the Independent Indonesia Tax Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and respectively the IFA Letter, the Valuation Summary Reports, the Full Valuation Reports, the Indonesian Healthcare Market Review Report and the Independent Indonesian Taxation Report, and all references thereto, in the form and context in which they are included in this Circular.

13. DOCUMENTS ON DISPLAY

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 Circular up to and including the date falling three months after the date of this Circular¹:

- (i) the Property CSPA (which contains the form of the SHBN Master Lease Agreement and the LPB Master Lease Agreement);
- (ii) the Deed of Indemnity;

¹ Prior appointment with the Manager (telephone: +65 6435 0168) will be appreciated.

- (iii) the full valuation report on the Property issued by Rengganis;
- (iv) the full valuation report on the Property issued by Alberth;
- (v) the Indonesia Healthcare Market Review Report by the Independent Healthcare Research Consultant;
- (vi) the FY2016 Audited Consolidated Financial Statements;
- (vii) the 6M2017 Unaudited Consolidated Financial Statements; and
- (viii) 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.

Yours faithfully
BOWSPRIT CAPITAL CORPORATION LIMITED
(as manager of First Real Estate Investment Trust)
(Company registration number: 200607070D)

Mr Tan Kok Mian Victor
Executive Director and Acting Chief Executive Officer

IMPORTANT NOTICE

The value of Units and the income derived from them may fall as well as rise. 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.

The Trustee is not required to and therefore does not opine on the commercial merits of the proposed Buton Acquisition and Buton Master Leases. In this regard, under the Trust Deed, the Manager alone shall have absolute discretion to determine, and it would be the duty of the Manager to recommend or propose to the Trustee, what investments should be effected and when and how any proposed investment should be effected by First REIT. As the proposed Buton Acquisition and Buton Master Leases are Interested Person Transactions and Interested Party Transactions, Unitholders' approval for the proposed Buton Acquisition and Buton Master Leases must also be obtained at the EGM in compliance with the requirements of the Listing Manual and the Property Funds Appendix. If the Ordinary Resolution is passed, the Trustee would be bound to comply with the directions of the Unitholders and proceed with the proposed Buton Acquisition and Buton Master Leases in accordance with the Ordinary Resolution. When so acting in accordance with the directions of the Unitholders, the Trustee would not be responsible to any Unitholder.

The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

This Circular 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. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States. It is not an offer of securities for sale into the United States. The Units may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

%	:	Per centum or percentage
Aggregate Leverage	:	The total borrowings and deferred payments (if any) for assets of First REIT
Alberth	:	KJPP Rinaldi, Alberth, Baroto & Partners
Audit Committee	:	The audit committee of the Manager, comprising Mr Tan Chuan Lye, Mr Wong Gang and Mr Carl Gabriel Florian Stubbe
Business Day	:	Means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST (and, if the Units are listed on any other recognised stock exchange, that recognised stock exchange) is open for trading
BOT	:	Build, Operate and Transfer
BOT Agreement	:	The BOT agreement dated 16 June 2014 (as amended from time to time) entered into by the Vendor as BOT Grantee and the Government of Buton Regency as BOT Grantor expiring on 16 June 2044 covering a land area of 33,367 sq m, on which four HGB titles certificates were granted, including the two HGB title certificates relating to the Property
BOT Grantor	:	Government of Buton Regency
BOT Grantee	:	PT Andromeda Sakti
Buton1	:	SHButon Investment I Pte. Ltd.
Buton2	:	SHButon Investment II Pte. Ltd.
Buton Acquisition	:	The proposed acquisition of the Property from the Vendor
Buton Acquisition Cost	:	The total cost of the Buton Acquisition to be incurred by First REIT
Buton Acquisition Fee	:	The acquisition fee which the Manager will be entitled under Clause 14.2.1 of the Trust Deed to receive from First REIT upon completion of the Buton Acquisition
Buton Acquisition Fee Units	:	The Units which will be issued to the Manager as payment for the Acquisition Fee
Buton Total Consideration	:	The purchase consideration for the Property of Rp.273.60 billion (\$28.50 million) including the BPHTB
CCR	:	Indonesia Core Central Region
CDP	:	The Central Depository (Pte) Limited
Circular	:	This circular to Unitholders dated 30 August 2017

Controlling Shareholder	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company; or (b) in fact exercises control over a company
Controlling Unitholder	:	A person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or (b) in fact exercises control over the property fund
Decree	:	The decree of MOF Indonesia (No. 125/PMK.01/2008) on public appraisal services
Deed of Indemnity	:	The deed of indemnity entered into between the Trustee and PT WJP in relation to the Buton Acquisition
Directors	:	The directors of the Manager
DPU	:	Distribution per Unit
EGM	:	The extraordinary general meeting of Unitholders to be held at Pacific 3, Level 1, Pan Pacific Singapore, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Thursday, 21 September 2017, at 10.00 a.m. to approve the matters set out in the Notice of Extraordinary General Meeting on pages G-1 to G-2 of this Circular
Enlarged Portfolio	:	Comprises the Property and the Existing Portfolio
Existing Interested Person Transactions	:	Interested person transactions with the Sponsor and associates of the Sponsor during the course of First REIT's current financial year
Existing Portfolio	:	The portfolio of properties currently held by First REIT, consisting of: its properties in Indonesia being 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 Lantor Residence; and its property in the Republic of South Korea, Sarang Hospital
First REIT	:	First Real Estate Investment Trust, a unit trust constituted in the Republic of Singapore pursuant to the Trust Deed dated 19 October 2006
FY2016	:	The financial year ended 31 December 2016
FY2016 Audited Consolidated Financial Statements	:	The audited financial statements of First REIT and its subsidiaries for FY2016

FY2017	:	The financial year ended 31 December 2017
FY2018	:	The financial year ended 31 December 2018
GFA	:	Gross floor area
Gross Operating Revenue	:	gross operating revenue of the Siloam Lessee derived specifically from the Siloam Lessee's healthcare and/or healthcare-related business carried on at the property, as audited for such period commencing 1 January and ending on 31 December of the same year
HGB	:	<i>Hak Guna Bangunan</i> (Right to Build)
HM	:	<i>Hak Milik</i> (Right of Ownership)
HPL	:	<i>Hak Pengelolaan</i> (Right to Manage)
IFA	:	Stirling Coleman Capital Limited
IFA Letter	:	The letter from the IFA to the Independent Directors and the Trustee containing its advice as set out in APPENDIX D of this Circular
Illustrative Rupiah Exchange Rate	:	The illustrative rupiah exchange rate of S\$1.00 to Rp.9,600, which is also the agreed rupiah exchange rate set out in the Property CSPA, the SHBN Master Lease Agreement and the LPB Master Lease Agreement
Independent Directors	:	The independent directors of the Manager, being Mr Tan Chuan Lye and Mr Wong Gang
Independent Indonesia Tax Adviser	:	PB Taxand
Independent Reporting Accountant	:	RSM Chio Lim LLP
Independent Singapore Tax Adviser	:	Ernst & Young LLP
Independent Valuers	:	Rengganis and Alberth
IndoCo	:	PT Buton Bangun Cipta, a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of First REIT
Indonesia CPI	:	Consumer Price Index of Indonesia
Indonesian Properties	:	The portfolio of properties in Indonesia currently held by First REIT, consisting of: 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 and Imperial Aryaduta Hotel & Country Club.

Interested Party	:	As defined in the Property Funds Appendix, means: <ul style="list-style-type: none"> (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of the property fund; or (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of the property fund
Interested Party Transaction	:	Has the meaning ascribed to it in Paragraph 5 of the Property Funds Appendix
Interested Person	:	As stated in the Listing Manual, in the case of a real estate investment trust, has the meaning defined in the Code on Collective Investment Schemes issued by the MAS. Therefore, interested person means: <ul style="list-style-type: none"> (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of the property fund; or (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of the property fund
Interested Person Transaction	:	Means a transaction between an entity at risk and an Interested Person
KJPP	:	<i>Kantor Jasa Penilai Publik</i> , or Accredited Public Appraiser Firms
Kupang Property	:	Siloam Hospitals Kupang and Lippo Plaza Kupang
Latest Practicable Date	:	23 August 2017, being the latest practicable date prior to the printing of this Circular
Law 7/2011	:	Law No. 7 of 2011 on Currency (<i>Undang-Undang Mata Uang</i>)
Listing Manual	:	The Listing Manual of the SGX-ST
LPB	:	Lippo Plaza Buton, comprising a newly built single-storey retail mall which commenced operations in December 2015.
LPB Base Rent	:	The base rent payable under the LPB Master Lease
LPB Master Lease	:	The master lease granted to the LPB Master Lessee in relation to LPB
LPB Master Lease Agreement	:	The master lease agreement to be entered into between the IndoCo (as the master lessor of LPB) and the LPB Master Lessee pursuant to which LPB will be master leased to the LPB Master Lessee
LPB Master Lessee	:	PT Andromeda Sakti
LPK	:	Lippo Plaza Kupang
Manager	:	Bowsprit Capital Corporation Limited, in its capacity as manager of First REIT

Market Day	:	Means any day on which the SGX-ST is open for trading in securities
MAS	:	Monetary Authority of Singapore
National Land Office	:	The National Land Office of the Republic of Indonesia (<i>Badan Pertanahan Nasional</i>)
NAV	:	Net asset value
New SHS	:	The new hospital to be built pursuant to development works at Siloam Hospitals Surabaya
NLA	:	Net lettable area
Novation Agreement	:	The novation agreement to be entered into between Buton1, the Vendor and the IndoCo for the novation of the entire rights and obligations of Buton1 under the CSPA to the IndoCo
NTA	:	Net tangible assets
OCR	:	Indonesia Outside Central Region
Ordinary Resolution	:	A resolution proposed and passed as such by a majority being greater than 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
Property	:	SHBN and LPB
Property CSPA	:	The conditional sale and purchase agreement entered into between the Vendor and IndoCo for the acquisition of the Property
Property Funds Appendix	:	Appendix 6 of the Code on Collective Investment Schemes issued by the MAS in relation to real estate investment trusts
PT WJP	:	PT Wisma Jatim Propertindo
Rengganis	:	KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd.
Securities Act	:	U.S. Securities Act of 1933, as amended
SGX-ST	:	Singapore Exchange Securities Trading Limited
SHBN	:	Siloam Hospitals Buton, comprising a newly built three-storey hospital that commenced operations in April 2016 and ancillary healthcare-related space
SHBN Base Rent	:	The base rent payable under the SHBN Master Lease
SHBN Master Lease	:	The master lease granted to the Sponsor and the Siloam Lessee in relation to SHBN
SHBN Master Lease Agreement	:	The master lease agreement to be entered into between IndoCo (as the master lessor of SHBN) and the Sponsor and the Siloam Lessee pursuant to which SHBN will be master leased to the Sponsor and the Siloam Lessee
SHBN Master Lessees	:	The Sponsor and the Siloam Lessee, as lessees of SHBN

SHBN Total Rent	:	The sum of the SHBN Base Rent and the SHBN Variable Rent
SHBN Variable Rent	:	The variable rent payable under the SHBN Master Lease in relation to SHBN
SHKP	:	Siloam Hospitals Kupang
Siloam	:	PT Siloam International Hospitals Tbk, a subsidiary of the Sponsor
Siloam Lessee	:	PT Bina Bahtera Sejati, one of the master lessees of SHBN under the SHBN Master Lease and a wholly-owned subsidiary of Siloam
Sponsor	:	PT Lippo Karawaci Tbk, which is the sponsor of First REIT
sq ft	:	Square feet
sq m	:	Square metres
Substantial Unitholder	:	A Unitholder with an interest in more than 5.0% of all Units in issue
Trust Deed	:	The trust deed dated 19 October 2006 constituting First REIT, entered into between the Trustee and the Manager, as amended, varied, or supplemented from time to time
Trustee	:	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of First REIT
U.S.	:	United States
Unit	:	A unit representing an undivided interest in First REIT
Unitholders	:	Unitholders of First REIT
Vendor	:	PT Andromeda Sakti, a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of the Sponsor
WALE	:	Weighted average lease to expiry

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

The exchange rates used in this Circular are for reference only. No representation is made that any Indonesian Rupiah amounts could have been or could be converted into Singapore dollar amounts at any of the exchange rates used in this Circular, at any other rate or at all.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

DETAILS OF THE PROPERTY, THE EXISTING PORTFOLIO AND THE ENLARGED PORTFOLIO

1. PROPERTY

The Property is located in the city of Bau Bau in Buton Island. Bau Bau is a port city situated between West and East of Indonesia. The regional government has put in place transportation infrastructure such as seaports and airport for greater regional accessibility. Bau Bau has a well-established fishery industry supported by the local government that caters to both local and regional trade.

1.1 DESCRIPTION OF SHBN

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 GFA of 10,796 sq m. SHBN is a Centre of Excellence for Emergency & Trauma.

The table below sets out a summary of selected information on SHBN as at 30 June 2017 (unless otherwise indicated).

Address/Location	Jl. Sultan Hasanuddin no. 54 and 58, Bau Bau, Southeast Sulawesi, Indonesia
Master Title Details	Part of HGB title certificates (HGB No. 00033/Kelurahan Batulo and 00034/Kelurahan Batulo), covering a land area of 21,874 sq m and expiring on 8 March 2042. The HGB certificates are granted over a BOT Agreement covering a land area of 33,367 sq m and expiring on 16 June 2044.
Description / Existing Use	Newly built three-storey hospital which commenced operations in April 2016 and ancillary healthcare-related space
Hospital beds (Capacity)	160
SHBN Master Lease Term	15 years, with an option to renew for a further term of 15 years exercisable at the option of the SHBN Master Lessees
Age of the Property	Completed in 2015
Commencement base rent	Rp.15.36 billion (S\$1.60 million)
GFA	10,796 sq m

1.2 DESCRIPTION OF LPB

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 amenities to the visitors of SHBN. In addition, SHBN is directly linked and integrated with LPB.

Address/Location	Jl. Sultan Hasanuddin no. 50 and 52, Bau Bau, Southeast Sulawesi, Indonesia
Master Title Details	Part of HGB title certificate (HGB No. 00033/Kelurahan Batulo), covering a land area of 17, 694 sq m and expiring on 8 March 2042. The HGB certificates are granted over a BOT Agreement covering a land area of 33,367 sq m and expiring on 16 June 2044.
Description / Existing Use	Newly built single-storey retail mall which commenced operations in December 2015
LPB Master Lease Term	15 years, with an option to renew for a further term of 15 years exercisable at the option of the LPB Master Lessees
Age of the Property	Completed in 2015
Commencement base rent	Rp.11.92 billion (\$S1.242 million)
GFA	11,138 sq m

2. THE EXISTING PORTFOLIO

The Existing Portfolio of First REIT as at 31 December 2016 comprises¹: Siloam Hospitals Labuan Bajo, Siloam Hospitals Kupang & Lippo Plaza Kupang, 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, Siloam Hospitals Purwakarta, Siloam Sriwijaya located in Indonesia; Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang, The Lentor Residence, which are located in Singapore; and Sarang Hospital, which is located in the Republic of South Korea.

¹ The Existing Portfolio comprises 14 properties located in Indonesia, three properties that are located in Singapore and one property that is located in South Korea.

2.1 Summary

The table below sets out selected information about the Existing Portfolio as at 31 December 2016 unless otherwise stated.

Description of the Properties	GFA (sq m)	Lease Terms	Maximum no. of Beds / Saleable Rooms	Appraised Value	Gross Revenue ⁽¹⁾ (from 1 January 2016 to 31 December 2016) (S\$'000)
Indonesia					
Siloam Hospitals Labuan Bajo	7,604	15 years with option to renew for 15 years with effect from 30 December 2016	153	S\$20.6 million	— ⁽²⁾
Siloam Hospitals Kupang & Lippo Plaza Kupang	55,368	15 years with option to renew for 15 years with effect from 14 December 2015	416 (Hospital Only)	S\$69.5 million	6,940
Siloam Sriwijaya	15,709	15 years with option to renew for 15 years with effect from 29 December 2014	357	S\$42.7 million	3,900
Siloam Hospitals Purwakarta	8,254	15 years with option to renew for 15 years with effect from 28 May 2014	202	S\$41.0 million	3,400
Siloam Hospitals Bali	20,958	15 years with option to renew for 15 years with effect from 13 May 2013	281	S\$124.7 million	9,799
Siloam Hospitals TB Simatupang	18,605	15 years with option to renew for 15 years with effect from 22 May 2013	269	S\$119.4 million	9,338
Siloam Hospitals Manado & Hotel Aryaduta Manado	36,051	15 years with option to renew for 15 years with effect from 30 November 2012	Siloam Hospitals Manado: 238 Hotel Aryaduta Manado: 200	S\$104.3 million	8,426
Siloam Hospitals Makassar	14,307	15 years with option to renew for 15 years with effect from 30 November 2012	360	S\$73.7 million	5,886
Mochtar Riady Comprehensive Cancer Centre	37,933	15 years with option to renew for 15 years with effect from 30 December 2010	334	S\$252.8 million	20,668

Description of the Properties	GFA (sq m)	Lease Terms	Maximum no. of Beds / Saleable Rooms	Appraised Value	Gross Revenue ⁽¹⁾ (from 1 January 2016 to 31 December 2016) (S\$'000)
Siloam Hospitals Lippo Cikarang	11,125	15 years with option to renew for 15 years with effect from 31 December 2010	114	S\$48.7 million	4,179
Siloam Hospitals Lippo Village	27,284	15 years with option to renew for 15 years with effect from 11 December 2006	274	S\$161.7 million	14,433
Siloam Hospitals Kebon Jeruk	18,316	15 years with option to renew for 15 years with effect from 11 December 2006	215	S\$96.0 million	8,180
Siloam Hospitals Surabaya	9,227	15 years with option to renew for 15 years with effect from 11 December 2006	160	S\$30.2 million	3,235
Imperial Aryaduta Hotel & Country Club	17,427	15 years with option to renew for 15 years with effect from 11 December 2006	190	S\$41.8 million	3,967
Singapore					
Pacific Healthcare Nursing Home @ Bukit Merah	3,593	10 years with option to renew for 10 years exercised with effect from 11 April 2007	259	S\$10.0 million	1,094
Pacific Healthcare Nursing Home II @ Bukit Panjang	3,563	10 years with option to renew for 10 years exercised with effect from 11 April 2007	265	S\$10.0 million	1,066
The Lantor Residence	4,005	10 years with option to renew for 10 years with effect from 8 June 2007	208	S\$16.8 million	1,061
Republic of South Korea					
Sarang Hospital	4,982	10 years with option to renew for 10 years with effect from 5 August 2011	217	US\$6.4 million	905

Notes:

- (1) "Gross Revenue" consists of the audited Gross Rental Income and (where applicable) other income earned from First REIT's properties.
- (2) Siloam Hospitals Labuan Bajo was acquired on 30 December 2016 and the rental from 30 December 2016 to 31 December 2016 was accounted in FY2017.

2.2 Description of the Properties in the Existing Portfolio

2.2.1 Siloam Hospitals Labuan Bajo

Siloam Hospitals Labuan Bajo (“**SHLB**”), which is located at Jl. Gabriel Gampur, RT.013/RW.005, Dusun V – Desa / Kelurahan Gorontalo – Kecamatan Komodo Kabupaten Manggarai Barat, comprises a newly built three-storey hospital with a maximum capacity of 153 beds that commenced operations in mid-January 2016. SHLB has a total GFA of 7,604 sq m. SHLB is a Centre of Excellence for Emergency Medicine, Internal Medicine and Neuroscience. Some of the medical facilities available at SHLB include emergency rooms, operating theatres, delivery rooms, outpatient clinics, inpatient services, isolation rooms, intensive care unit, neonatal intensive care unit, X-ray machines, ultrasonography and 3-dimension echocardiography.

2.2.2 Siloam Hospitals Kupang & Lippo Plaza Kupang

Siloam Hospitals Kupang (“**SHKP**”), which is located at Jalan Veteran No. 4, Arena Pameran Fatululi, Kupang, East Nusa Tenggara, Indonesia, comprises a four-storey hospital building with one basement floor with a GFA of 21,593 sq m. It has a maximum capacity of 416 beds and 133 vehicle parking spaces. SHKP was completed in November 2014 and commenced operations under the “Siloam Hospitals” brand on 20 December 2014. It is a Centre of Excellence for Emergency & Trauma, Obstetrics, Gynaecology and Paediatrics, while the various specialties offered include Internal Medicine, Anaesthesiology, Cardiology, Obstetrics & Gynaecology, Neurology and General Surgery.

The SHKP BOT Land consists of, among others, an open vehicle parking area, driveways, drop-off areas, pavements, loading dock areas and a lawn.

Lippo Plaza Kupang (“**LPK**”), which is located at Jalan Veteran No. 4, Arena Pameran Fatululi, Kupang, East Nusa Tenggara, Indonesia, is a three-storey shopping mall with a rooftop on which a cinema and a car park are located, with a GFA of 33,775 sq m. LPK was completed in December 2014 and commenced operations in March 2015.

2.2.3 Siloam Sriwijaya

Siloam Sriwijaya is a strata-titled seven-storey hospital building which was completed in 2012. It has an operational capacity of 135 beds, with a maximum capacity of 357 beds. Siloam Sriwijaya is part of the Palembang Square Extension, which is an integrated development which comprises a shopping mall, a hospital and 800 vehicle parking lots. Siloam Sriwijaya is currently operating under the “Siloam Hospitals” brand. Siloam Sriwijaya has a GFA of about 15,709 sq m. The hospital is equipped with state-of-the-art medical equipment. Siloam Sriwijaya is also a Centre of Excellence for Emergency & Trauma and Gastroenterology.

2.2.4 Siloam Hospitals Purwakarta

Siloam Hospitals Purwakarta comprises a three-storey hospital building and a five-storey hospital building adjoining each other. It has an operational capacity of 100 beds, with a maximum capacity of 202 beds. The three-storey and five-storey hospital buildings were completed in 2005 and 2008 respectively. Siloam Hospitals Purwakarta has a total GFA of about 8,254 sq m and is located at Jalan Raya Bungursari No. 1, Purwakarta, West Java, Indonesia. It is equipped with state of the art medical equipment and has 250 vehicle parking spaces. Siloam Hospitals Purwakarta is a Centre of Excellence for Emergency & Trauma.

2.2.5 Siloam Hospitals Bali

Siloam Hospitals Bali, located at Jalan Sunset Road No. 818, Kuta, Badung, Bali, Indonesia, commenced operations on 17 December 2012. Siloam Hospitals Bali has an operational capacity of 281 beds, with integrated shops for related use. Siloam Hospitals Bali is located on Jalan Sunset Road which connects to the Kuta Area and Denpasar City, one of the fastest growing areas in Bali. Notable developments in the vicinity of Siloam Hospitals Bali include Carrefour, Bali Galeria Shopping Mall and Ngurah Rai International Airport. Siloam Hospitals Bali is a Centre of Excellence for Cardiology, Emergency & Trauma and Orthopaedics.

2.2.6 Siloam Hospitals TB Simatupang

Siloam Hospitals TB Simatupang, a 16-storey hospital with two basement levels, commenced operations on 15 April 2013. Siloam Hospitals TB Simatupang has an operational capacity of 269 beds. Siloam Hospitals TB Simatupang, located close to the Fatmawati toll gate on Jakarta Outer Ring Road which connects the inner-city toll road with Bintaro and Serpong areas and which is near to the middle to upper class residential area of Pondok Indah and Cinere, is highly accessible via public and private transportation. Notable developments in the vicinity of Siloam Hospitals TB Simatupang include Metropolitan Tower Office Building, Poins Square and the South Quarter (a mixed-use development comprising integrated office towers, apartment and retail facilities). Siloam Hospitals TB Simatupang is a Centre of Excellence for Cardiology, Emergency & Trauma, Neuroscience and Oncology.

2.2.7 Siloam Hospitals Manado & Hotel Aryaduta Manado

Siloam Hospitals Manado & Hotel Aryaduta Manado, located at Jalan Sam Ratulangi No. 22, Komplek Boulevard Center and at Jalan Piere Tendean No. 1, Manado, North Sulawesi, Indonesia, Republic of Indonesia, is an 11-storey mixed-use development with a basement level, comprising Siloam Hospitals Manado & Hotel Aryaduta Manado which sit on common land titles and share a common lobby (with separate entrances). Siloam Hospitals Manado is a four-level hospital which commenced operations on 1 June 2012 with a maximum operational capacity of 238 beds. Hotel Aryaduta Manado is a nine-level five-star hotel with 200 guest rooms, which commenced operations on 1 January 2011.

Siloam Hospitals Manado & Hotel Aryaduta Manado is situated on the east side of Jalan Piere Tendean and on the west side of Jalan Sam Ratulangi, both of which are primary roads in the city centre that are lined with office buildings, shopping centres, shop houses and hotels. Notable developments in the vicinity of Siloam Hospitals Manado & Hotel Aryaduta Manado include IT Center, Mega Mall Manado and Komandan Korem (Danrem) 131/Santiago (a military office). It covers a total GFA of 36,051 sq m, of which 11,476 sq m is occupied by Siloam Hospitals Manado and 23,430 sq m is occupied by Hotel Aryaduta Manado and 1,145 sq m of shared machinery and equipment space.

Siloam Hospitals Manado is fully equipped with the latest medical equipment and facilities, including CT, MRI, Ultrasound, cardiac catheterisation lab, 50 specialist clinic suites and three operating theatres.

Siloam Hospitals Manado will be a tourist-friendly hospital that caters to multiple classes of patients, comprising local residents from all socio-economic classes, corporate patients, and tourists. In order to enhance Siloam Hospitals Manado's image as a modern international hospital, Hotel Aryaduta Manado provides a full range of food and beverages catering to the patients and accommodation for family members as well as to tourists visiting Manado.

Siloam Hospitals Manado is a Centre of Excellence for Emergency & Trauma. Apart from therapeutic services, the hospital will also include an extensive range of diagnostic and preventive healthcare services.

Emergency and medical evacuation to and from the hospitals are available via designated ambulances. The state-of-the-art Accident and Emergency ("A&E") department hosts a two-bedded resuscitation unit and three procedural units for patients requiring minor surgical or anaesthetic procedures. Through the telemedicine system and helicopter ambulance services, Siloam Hospitals Manado is also planning to provide remote patient care or consultation for the workers at several mining sites in North Sulawesi.

Through the implementation of clinical capabilities that are currently scarcely available in the region, such as 24-hour GP clinics, ambulance call centre, clinical pathways for acute coronary syndrome and stroke patient management, fully rapid response land and air ambulances, Siloam Hospitals Manado is likely to be the regional Centre of Excellence in Emergency & Trauma and many clinical services.

Hotel Aryaduta Manado which commenced operations on 1 January 2011 is a four-star hotel with 200 guest rooms. The Indonesian Association of Hotel and Restaurant (*Perhimpunan Hotel dan Restoran Indonesia*) has declared Hotel Aryaduta Manado as a five-star rated hotel.

Hotel Aryaduta Manado is integrated with Siloam Hospitals Manado and is well positioned to benefit from shared services and healthcare tourism, given its location. It provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families. The acquisition will allow First REIT to benefit not only from the healthcare sector, but also from the growing medical tourism sector.

2.2.8 Siloam Hospitals Makassar

Siloam Hospitals Makassar is located at Jalan Metro Tanjung Bunga Kav 3 – 5, Makassar City, South Sulawesi, Indonesia. Siloam Hospitals Makassar is a new seven-storey hospital which commenced operations on 9 September 2012 with a maximum operational capacity of 360 beds. Siloam Hospitals Makassar is located on the west side of Jalan Metro Tanjung Bunga in Tanjung Bunga, an integrated township development consisting of residential and commercial development. Notable developments in the vicinity of Siloam Hospitals Makassar include Hotel Aryaduta Makassar, Tanjung Bunga Marketing Office, Celebas Convention Center, Trans Makassar Mall and Losari Beach.

Siloam Hospitals Makassar is equipped with state-of-the-art facilities, including CT, MRI, Ultrasound, Mammography and cardiac catheterization system, 58 specialist outpatient clinic suites and three operating theatres. Siloam Hospitals Makassar is a Centre of Excellence for Cardiology, Emergency & Trauma and Endocrinology.

The A&E department hosts a three-bedded resuscitation unit and an observation ward equipped with 10 beds to serve any trauma and emergency patients in Makassar. Medical evacuation to and from the hospital is also available via designated ambulances.

This A&E department is likely to provide additional support to the acute care needs of the local population residing in the urban or rural areas through its emergency care facilities backed by helicopter evacuation, well equipped Emergency Trauma Department with resuscitation units, and fully equipped ambulances. These capabilities are the first-of-its-kind in the South Sulawesi.

2.2.9 Mochtar Riady Comprehensive Cancer Centre

Mochtar Riady Comprehensive Cancer Centre is Indonesia's first private comprehensive cancer treatment centre with state-of-the-art equipment.

Located near Plaza Semanggi, The Aryaduta Apartments and other international five-star hotels in Central Jakarta, the 29-storey, 334 beds Mochtar Riady Comprehensive Cancer Centre will serve the needs of international and Indonesian patients. It is a Centre of Excellence for Emergency & Trauma, Gastroenterology and Oncology.

Mochtar Riady Comprehensive Cancer Centre will not only adopt a preventative focus through health screening, but will also be the first facility in Indonesia to offer break-through technologies that are at the forefront of cancer treatment and cancer diagnostics globally. Among the other firsts for Mochtar Riady Comprehensive Cancer Centre are a palliative care & oncology wellness centre, high dose brachytherapy, radio-immunotherapy (RIT), radiopeptide therapy, molecular imaging with PET/Computed Tomography (PET/CT), and Single Photon Emission Computed Tomography/CT (SPECT/CT) scanning.

It will also provide chemotherapy, complementary therapy, Linear Accelerator treatment, Multi Slice CT, High field strength MRI, angiography, inhouse clinical trials and integrated IT and PACS/RIS. Mochtar Riady Comprehensive Cancer Centre also hopes to develop training in medical oncology, radiation therapy, cancer imaging and surgical oncology.

2.2.10 Siloam Hospitals Lippo Cikarang

Siloam Hospitals Lippo Cikarang was opened in 2002 and has quickly built its reputation for providing international standards in medical care in the growing residential area east of Jakarta. Siloam Hospitals Lippo Cikarang has 114 beds and is supported by 78 specialist doctors and 239 qualified nurses offering a broad range of general and specialist services, including an A&E Department. Siloam Hospitals Lippo Cikarang is a Centre of Excellence for Emergency & Trauma, Internal Medicine and Urology.

In late 2007, an ESWL unit was commissioned to treat patients with kidney stones. Siloam Hospitals Lippo Cikarang is also well respected for its Pediatric Neonatal Intensive Care Unit, which treats premature babies and sick babies. The Jakarta-Cikampek toll road and Cikarang industrial areas have made Siloam Hospitals Lippo Cikarang an ideal hospital in providing Trauma services. Siloam Hospitals Lippo Cikarang is supported by a 24-hours A&E department and ambulance services with medical evacuation facilities, which includes daytime helicopter evacuation. Siloam Hospitals Lippo Cikarang also provides general surgery, orthopaedic surgery, neurology surgery, plastic surgery, urology surgery, thorax and cardiovascular surgery.

Specialist doctors were appointed since 2005 to perform digestive surgery using Laparoscopy, a technique that minimises surgical trauma and accelerates recovery. Siloam Hospitals Lippo Cikarang caters to both inpatient and outpatient needs, and its Charter of Patients' Rights is actively promoted by its experienced team of medical professionals, whose training and expertise bring international standards in patient care.

2.2.11 Siloam Hospitals Lippo Village

With Centres of Excellence for Cardiology, Emergency & Trauma, Neuroscience and Orthopaedics, Siloam Hospitals Lippo Village offers a comprehensive range of cardiology services from preventive measures to complicated open-heart surgery. Conveniently located in the first private sector township of Lippo Village, Siloam Hospitals Lippo Village is situated 25 kilometres from Jakarta's Soekarno-Hatta International Airport. The Hospital is close to the west of the Karawaci Toll Gate on the Jakarta-Merak toll road, which connects Jakarta, the capital and business centre of Indonesia, to the industrial city of Merak.

With a population of over 3.7 million in Tangerang Regency (Lippo Village township included), Siloam Hospitals Lippo Village has a sizeable potential patient base. In November 2007, Siloam Hospitals Lippo Village became the first Indonesia hospital to attain the United States-based Joint Commission International accreditation – the world's leading internationally recognised hospital accreditation award – putting it in the same league as other leading hospitals in the region. The hospital occupies a land area of 17,442 sq m and has a GFA of 27,284 sq m.

2.2.12 Siloam Hospitals Kebon Jeruk

With Centres of Excellence for Cardiology, Emergency & Trauma, Orthopaedics and Urology, Siloam Hospitals Kebon Jeruk is known for its authority in the diagnosis and treatment of disorders of the urinary tract or urogenital system. The hospital also offers prevention, medical treatment and rehabilitation services for musculoskeletal system diseases including bone, hinge, muscle, nerve/tendon, ligament and backup net/structure.

With its location about 6.0 km west of Jakarta Central, Siloam Hospitals Kebon Jeruk serves a large catchment of middle to upper income residents in the West Jakarta area. The hospital received Indonesian Hospital Accreditation from the Ministry of Health in 2002. The hospital occupies a land area of 11,420 sq m and has a GFA of 18,316 sq m. The hospital was accredited with the prestigious United States-based Joint Commission International accreditation in August 2016.

2.2.13 Siloam Hospitals Surabaya

Located in the central area of Indonesia's second largest city – Surabaya, Siloam Hospitals Surabaya enjoys a large catchment area of potential patients, given the relatively lower number of higher quality hospitals in the region.

Siloam Hospitals Surabaya is a Centre of Excellence for Cardiology, Emergency & Trauma with a maximum bed capacity of 160 beds.

Surabaya is expected to witness increasing demand for healthcare related services as a result of strong per capita income growth. The hospital occupies a land area of 4,306 sq m and has a GFA of 9,227 sq m.

2.2.14 The New SHS¹

The New SHS will comprise a 12-storey hospital building with two podium floors and one lower ground floor and is expected to be completed in 2019. It is expected to have a capacity of approximately 488 beds² and is expected to be equipped by the Sponsor with state-of-the-art medical equipment. The New SHS will be a Centre of Excellence for fertility and stroke.

Upon PT TPI taking possession of the New SHS, the New SHS will commence operations under the “Siloam Hospitals” brand and the Sponsor will be the lessee of the New SHS. The New SHS is expected to have a total GFA of approximately 24,245.90 sq m and will be located at Jalan Raya Gubeng No. 70, Gubeng Subdistrict, Gubeng District, Surabaya City, East Java Province, Indonesia³.

2.2.15 Imperial Aryaduta Hotel & Country Club

One of the very few hotels with linked country clubs in Jakarta, the 190 room five-star Imperial Aryaduta Hotel & Country Club comes complete with a wide range of sports, recreational, convention, and food and beverage services.

Located next to Siloam Hospitals Lippo Village, Imperial Aryaduta Hotel & Country Club provides accommodation for out-of-town inpatients, outpatients and day-surgery patients as well as their families. The hotel also attracts business travellers as it is located near the business and industrial areas of Cilegon. The property occupies a land area of 54,410 sq m and has a GFA of 17,427 sq m.

2.2.16 Pacific Healthcare Nursing Home @ Bukit Merah

Pacific Healthcare Nursing Home @ Bukit Merah, located close to Bukit Merah New Town and the Redhill MRT Station, as well as the City Centre, is a four-storey custom-built nursing home with 259 beds, a basement car park and a roof terrace.

Managed by Pacific Healthcare Nursing Home Pte. Ltd., the Home has a land area of 1,984 sq m and has a GFA of 3,593 sq m. Lease tenure for the land is for a period of 30 years with effect from 22 April 2002.

2.2.17 Pacific Healthcare Nursing Home II @ Bukit Panjang

Pacific Healthcare Nursing Home II @ Bukit Panjang is a five-storey custom-built nursing home with 265 beds and 33 car park lots. It is situated close to Bukit Panjang Town Centre, Bukit Panjang MRT Station and the Senja LRT Station, and is 18.0 km away from the City Centre.

Managed by Pacific Eldercare and Nursing Pte. Ltd., it has a land area of 2,000 sq m and a GFA of 3,563 sq m. Lease tenure for the land is for a period of 30 years with effect from 14 May 2003.

2.2.18 The Lentor Residence

The Lentor Residence is a five-storey custom-built nursing home situated at Lentor Avenue, and is managed by The Lentor Residence Pte. Ltd. Included as part of the health and medical care of the Master Plan Zoning (2014 Edition), the 208-beds nursing home occupies a land area of 2,486 sq m and has a GFA of 4,005 sq m.

¹ First REIT has, on 29 December 2015, obtained Unitholders’ approval for the transaction in relation to Siloam Hospitals Surabaya pursuant to which, among others, development works will be undertaken to construct and develop the New SHS and First REIT will acquire the New SHS upon completion of the development. As the New SHS is currently under development, all the figures in this Circular in respect of the New SHS are based on the new master lease agreement to be entered into between PT TPI, a wholly-owned subsidiary of First REIT (as the master lessor of the New SHS) and the Sponsor (as the master lessee of the New SHS). For the avoidance of doubt, while the development works of the New SHS is in progress, the existing Siloam Hospitals Surabaya remains operational. Please refer to First REIT’s circular dated 14 December 2015 in relation to the New SHS for further details.

² The New SHS’ expected capacity of approximately 488 beds represents an increase of approximately 328 beds over the existing Siloam Hospitals Surabaya’s maximum capacity of 160 beds.

³ As the New SHS is currently under development, the address of the New SHS will be confirmed once PT TPI takes possession of the New SHS.

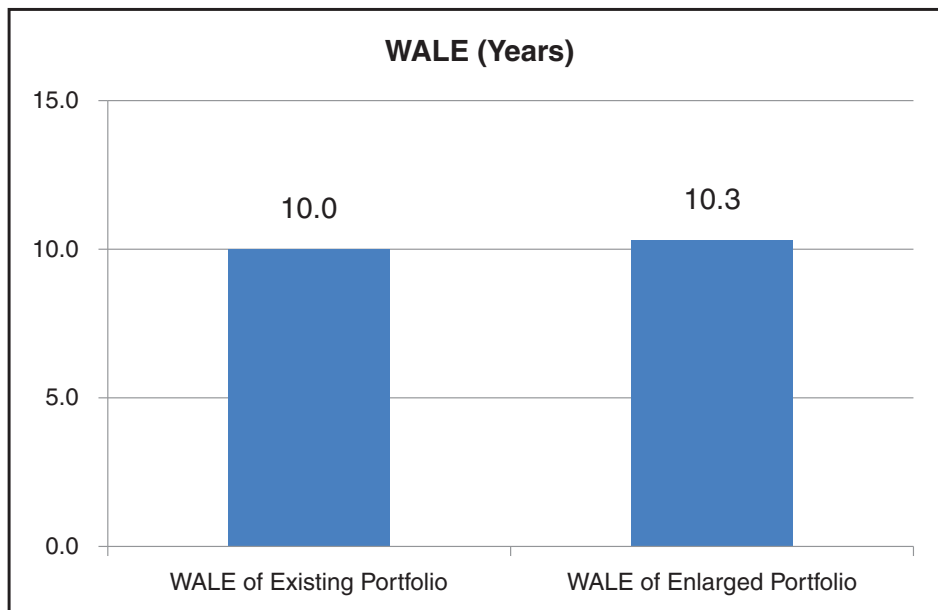
The asset enhancement of an additional storey and a five-storey extension building was completed in February 2013. Lease tenure for the land is for a period of 99 years with effect from 20 August 1938.

2.2.19 Sarang Hospital

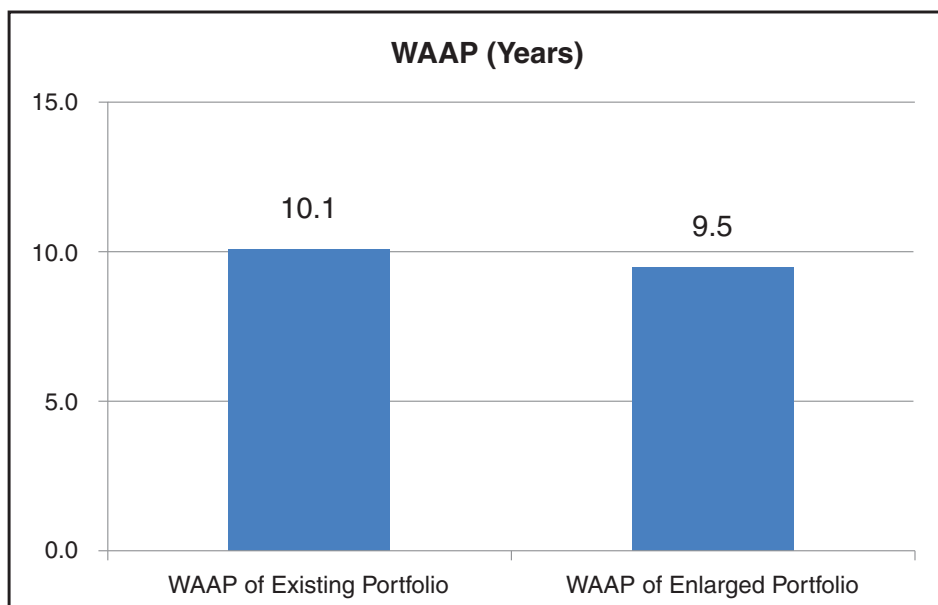
Sarang Hospital comprises a six-storey hospital with one basement. It has a total GFA of 4,982 sq m and is located in Yeosu City, South Korea. It is equipped with rehabilitation facilities and currently operates 34 wards and has 217 beds.

2.3 Lease Expiry and Average Property Age Profile of the Existing and Enlarged Portfolio

The following chart illustrates the WALE profile of the Existing Portfolio and the Enlarged Portfolio as at 31 December 2016. The WALE will improve from approximately 10.0 years for the Existing Portfolio to approximately 10.3 years for the Enlarged Portfolio.

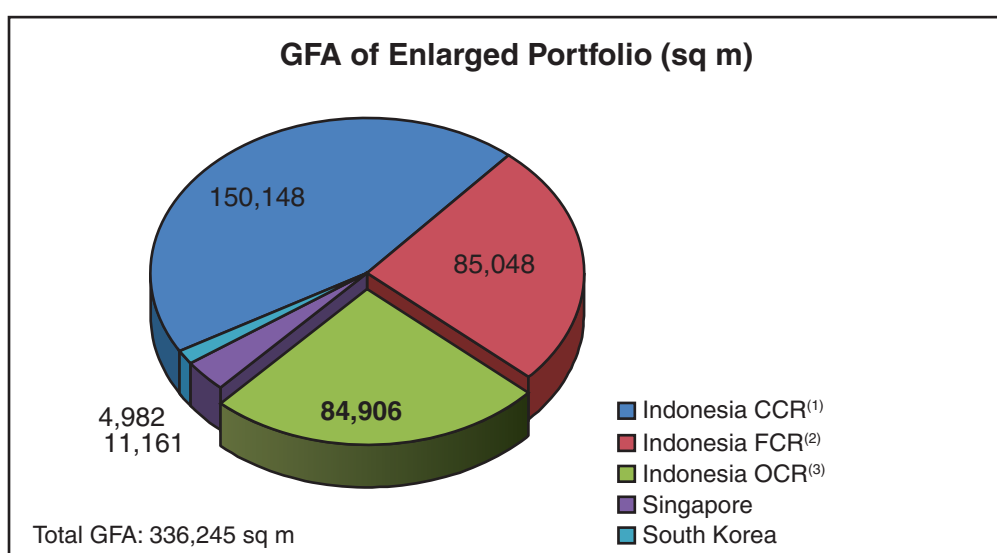
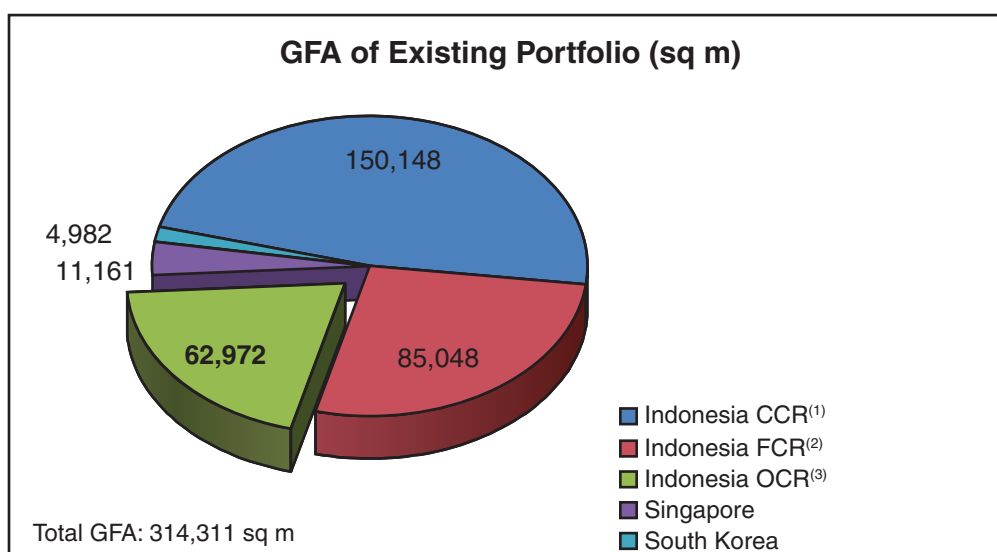


The following chart illustrates the weighted average age of properties ("WAAP") profile of the Existing Portfolio and the Enlarged Portfolio as at 31 December 2016. The WAAP for the Existing Portfolio and the Enlarged Portfolio will also improve from approximately 10.1 years for the Existing Portfolio to approximately 9.5 years for the Enlarged Portfolio.



2.4 Geographical Sector Analysis of the Existing and Enlarged Portfolio

The following charts provide a breakdown by GFA of the different geographical sectors of the Existing Portfolio and Enlarged Portfolio as at 31 December 2016. They are classified as Indonesia Core Central Region (“**CCR**”), Indonesia Fringe Central Region, Indonesia Outside Central Region (“**OCR**”), Singapore and South Korea.

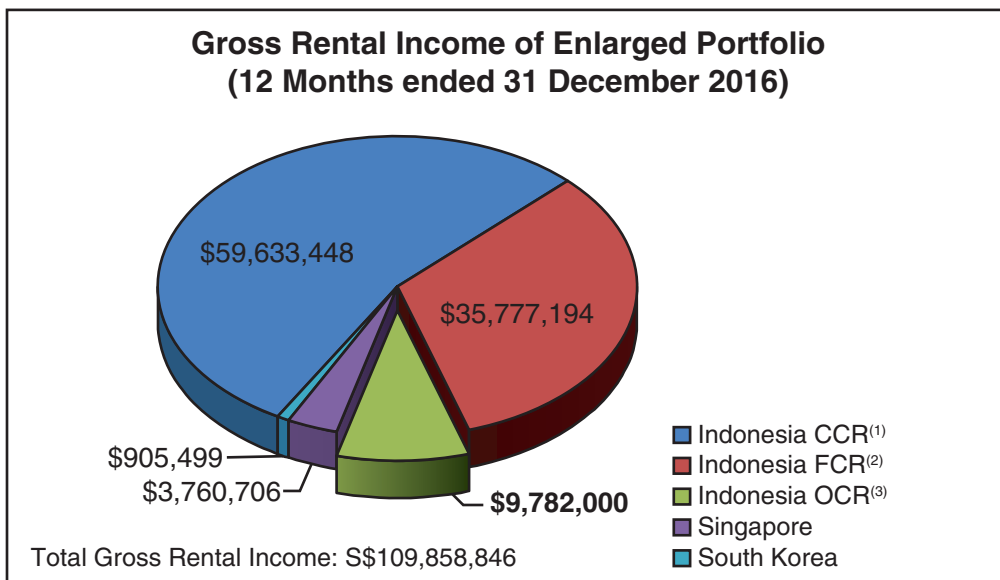
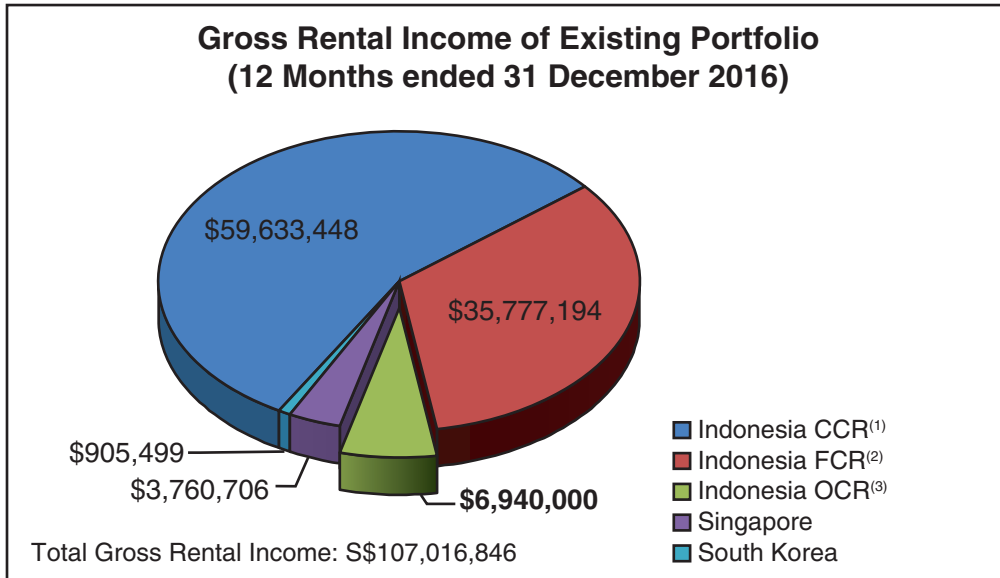


Notes:

- (1) Properties located in Indonesia CCR are namely Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Mochtar Riady Comprehensive Cancer Centre, Siloam Hospitals Makassar, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals TB Simatupang and Siloam Sriwijaya.
- (2) Properties located in Indonesia FCR are namely Siloam Hospitals Lippo Village, Imperial Aryaduta Hotel & Country Club, Siloam Hospitals Lippo Cikarang, Siloam Hospitals Bali and Siloam Hospitals Purwakarta.
- (3) Properties located in Indonesia OCR are namely Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Hospitals Labuan Bajo and the Property.

The GFA of the Enlarged Portfolio increased by 7.0% from 314,311 sq m to 336,245 sq m after the Buton Acquisition.

The following charts provide a breakdown by Gross Rental Income for the Existing Portfolio and the Enlarged Portfolio by geographical location for the financial year ended 31 December 2016.



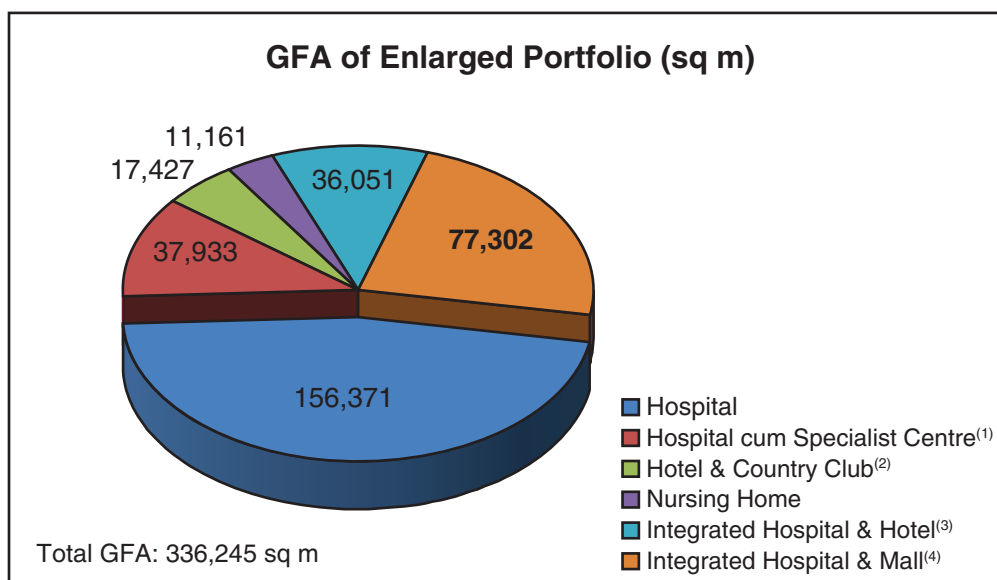
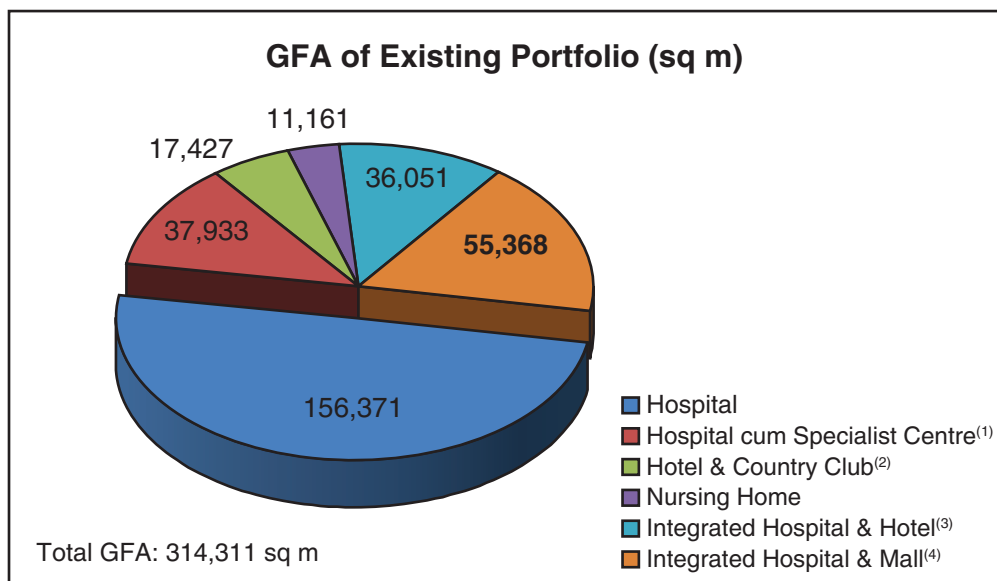
Notes:

- (1) Properties located in Indonesia CCR are namely Mochtar Riady Comprehensive Cancer Centre and Siloam Hospitals Surabaya.
- (2) Properties located in Indonesia FCR are namely Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar and Siloam Hospitals Kebon Jeruk.
- (3) Properties located in Indonesia OCR are namely Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Hospitals Labuan Bajo and the Property. Gross Rental Income excludes Siloam Hospitals Labuan Bajo which was acquired on 30 December 2016.

The Enlarged Portfolio's gross rental income from the Indonesia OCR will be S\$9,782,000 compared to S\$6,940,000 for the Existing Portfolio. This is an increase of 41.0%.

2.5 Asset Classification Analysis of the Existing and Enlarged Portfolio

The following charts provide a breakdown by GFA of the different asset classification of the Existing Portfolio and Enlarged Portfolio as at 31 December 2016.

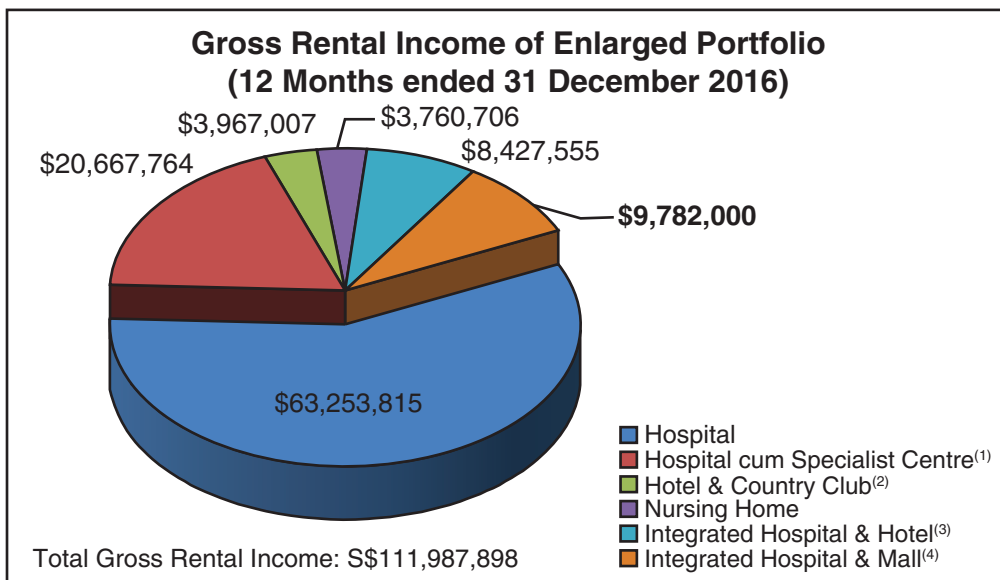
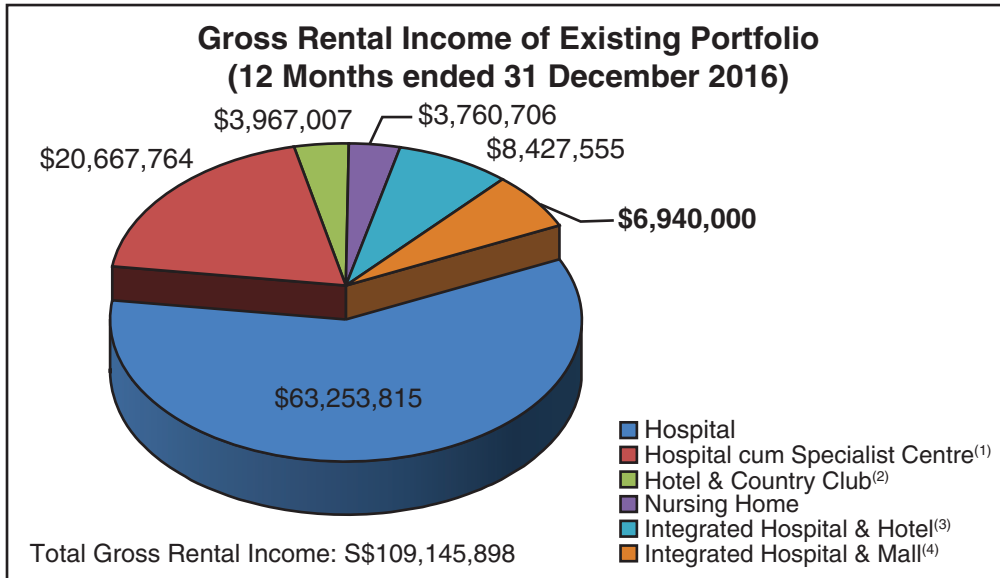


Notes:

- (1) Mochtar Riady Comprehensive Cancer Centre is classified as Hospital cum Specialist Centre.
- (2) Imperial Aryaduta Hotel & Country Club is classified as Hotel & Country Club.
- (3) Siloam Hospitals Manado & Hotel Aryaduta Manado is classified as Integrated Hospital & Hotel.
- (4) Siloam Hospitals Kupang & Lippo Plaza Kupang and the Property are classified as Integrated Hospital & Mall.

The GFA of the Integrated Hospital & Mall asset classification in the Enlarged Portfolio increased by 39.6% from 55,368 sq m to 77,302 sq m after the Buton Acquisition.

The following charts provide a breakdown by Gross Rental Income for the Existing Portfolio and the Enlarged Portfolio by asset classification for the financial year ended 31 December 2016.



Notes:

- (1) Mochtar Riady Comprehensive Cancer Centre is classified as Hospital cum Specialist Centre.
- (2) Imperial Aryaduta Hotel & Country Club is classified as Hotel & Country Club.
- (3) Siloam Hospitals Manado & Hotel Aryaduta Manado is classified as Integrated Hospital & Hotel.
- (4) Siloam Hospitals Kupang & Lippo Plaza Kupang and the Property are classified as Integrated Hospital & Mall.

The Enlarged Portfolio's gross rental income from the Integrated Hospital asset classification will be S\$9,782,000 compared to S\$6,940,000 for the Existing Portfolio. This is an increase of 41.0%.

VALUATION SUMMARY REPORTS

HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of First Real Estate Investment Trust)

VALUATION OF FINANCIAL INTEREST IN
SILOAM HOSPITALS BUTON AND LIPPO PLAZA BUTON
Jalan Sultan Hasanuddin No. 50,52,54,58,
Batulo Sub-District, Wolio District,
Baubau City, South East Sulawesi Province, Indonesia

No. Report : RHR00R1P0517037A
Date : 31 May 2017



KJPP RHR

KJPP Rengganis, Hamid & Rekan

Penilaian Properti, Bisnis & Konsultansi
Wilayah Kerja Negara Republik Indonesia



To : HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of First Real Estate Investment Trust)
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320

Our Ref. : RHR00C1P04160500
No. Report : 31 May 2017
Date : RHR00R1P0517037A

Bowsprit Capital Corporation Limited
(as Manager of First Real Estate Investment Trust)
50 Collyer Quay
#06-01 OUE Bayfront
Singapore 049321

**VALUATION OF FINANCIAL INTEREST IN
SILOAM HOSPITALS BUTON AND LIPPO PLAZA BUTON
Jalan Sultan Hasanuddin No. 50,52,54,58,
Batulo Sub-District, Wolio District,
Baubau City, South East Sulawesi Province, Indonesia**

Dear Sir/Madam,

Following the instruction of HSBC Institutional Trust Services (Singapore) Limited ("HSBC") as Trustee of First Real Estate Investment Trust ("First REIT") under contract No. RHR00C1P04160500 dated 6 April 2016 and subsequently reinstructed in January 2017 to advise on the Market Value of Financial Interest of land and building components and Indicative Reinstatement Value of Siloam Hospitals Buton ("SHBN") and Lippo Plaza Buton ("LPB") which is bounded under two proposed Master Lease Agreements ("MLAs"), located at Jalan Sultan Hasanuddin No. 50,52,54,58, Batulo Sub-District, Wolio District, Baubau City, South East Sulawesi Province, Indonesia, we hereby declare that we have completed our inspection and analysis, and submit the formal valuation report for your consideration.

1. Introduction

This assignment has been carried out by an independent valuer who is a Public Valuer in KJPP Rengganis, Hamid & Rekan-KJPP RHR (previously PT Heburinas Nusantara). KJPP RHR is an independent valuation firm registered in Indonesian Appraisers Society (Masyarakat Profesi Penilai Indonesia), provided with a business permit from the Ministry of Finance and registered in OJK "Otoritas Jasa Keuangan" previously Bapepam-LK (Securities Exchange Commission "SEC"). Partners of KJPP-RHR have been registered in the Ministry of Finance and OJK.

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KJPP-RHR has established a strategic alliance with **CBRE**, the world's premier, and full service real estate services company listed in New York Stock Exchange.

2. Client and Intended User

The Client is HSBC as Trustee of First REIT and the intended users are the Client, Bowsprit Capital Corporation Limited (as Manager of First Real Estate Investment Trust).

3. Purpose and Objective of Valuation

We understand that the purpose of this assessment is to form an opinion of Market Value for sale and purchase purpose and to provide an Indicative Reinstatement Value for insurance purpose.

4. The Subject Property

The subject property is a Financial Interest in land and building component of Siloam Hospitals Buton ("SHBN") and Lippo Plaza Buton ("LPB") which is bounded under two MLAs. SHBN and ancillary healthcare-related premises which has a maximum capacity of 160 beds has a total Lettable Area (LA) of 10,796 square meters, and LPB anchor mall space has a LA of about 11,138 square meters. It is located at Jalan Sultan Hasanuddin No. 50,52,54,58, Batulo Sub-District, Wolio District, Baubau City, South East Sulawesi Province, Indonesia.

5. Ownership Right and Type

The subject property is bounded by two MLAs which cover hospital and retail buildings. The land ownership is a partial interest covered by BOT Agreement No. 032/2614 and 01/PKS-AS/VI/2014 dated 16 June 2014 and Addendum No. 032/3048 and III/AGMT/LGL-AS/XI/2015 dated 25 November 2015 between Buton Regency Government (lessor) and PT Andromeda Sakti (lessee) commenced on 16 June 2014 and will be expired on 15 June 2044. It is erected on land held under 2 (two) Right to Build Certificates (Hak Guna Bangunan) which is registered under the name of PT Andromeda Sakti with total area of 21,874 square meters.

6. Basis of Valuation

This valuation is prepared according to the Indonesian Valuation Standards (SPI – Standar Penilaian Indonesia) in which the appropriate basis for this valuation is the Market Value and Reinstatement Value. The Indonesian Valuation Standards defines the Market Value, Reinstatement Value and Financial Interest as follows:

Market Value

"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". (SPI 101-3.1)

Market value refers and reflects the actual value regardless of any tax liability or cost associated with these sales transactions. The property is valued based on the assumption that it is free and clear all mortgages, encumbrances, and other outstanding premiums and charges.

The above stated basis is also consistent with Fair Value measurement as defined in Singapore Financial Reporting Standard 113.

Reinstatement Value

"The estimated cost to replace, repair, or rebuild the insured property to a condition substantially the same as, but not better or more extensive than, its condition when new". (SPI 102-3.9)

Financial Interest

"Financial Interest in property legally is derived from the division of ownership in the business entities and real property (e.g. alliance/partnership, syndicate, BOT, lease/co-Tenancies, joint venture), and granting contractual option rights to buy or sell property (for example land and buildings, shares or other financial instruments) at a stated price within a specific period, or derived from the establishment of investment instruments that are secured by a bunch of real estate assets."(KPUP – Type of Property 5.1)

7. Date of Valuation

The valuation date is 1 May 2017. The inspection date is 23-24 February 2017.

8. Currency

We have valued the property in Singapore Dollar currency since the rental revenue is in Singapore Dollar. However, the operating asset generates income in Rupiah and for variable rent conversion to Singapore Dollar, we used fixed exchange rate of SGD1 = Rp9,600.00/- as stated in the proposed term sheet and the proposed MLAs. For your information, the exchange rate at the date of valuation is SGD1 = Rp9,550.62/- (middle rate).

9. Depth of Investigation

The valuation is conducted with limitation of investigation as follows:

- a. The investigation is carried out through the process of data collection by doing the inspection, calculation, and analysis;
- b. We have done the investigation, calculation and analysis and assumed there is no hidden information or deliberately hidden information.

10. Reliable Information Data

Data from the following reliable domestic and international sources, that have not been independently verified, were relied upon in the preparation of this valuation report:

- Bank Indonesia

-
- Indonesia Stock Exchange or other countries
 - The Central Bureau of Statistics
 - Data research from independent institution.
 - Information from the electronic media.

11. Term on Approval for Publication

The valuation report and / or the attached references are only intended for the Client and Intended User as stated in this scope of work. The use of this report beyond the scope of work must be approved by KJPP RHR and the Client.

12. Assumption of Valuation

Our valuation is subject to the followings:

- 1) The date of inspection is before the valuation date, therefore in this valuation we have assumed that there is no significant change in subject property between the date of valuation and the date of inspection.
- 2) The title of the subject property and the BOT agreement are assumed to be good marketable title and free and clear from all liens and encumbrances, easements, restriction, or limitation. We did not make any land measurement and we assumed that the land drawing contained in the land certificates and/or provided by the Company is true and accurate.
- 3) We have not investigated the title or any liabilities affecting the property appraised. No consideration was made for any outstanding amount owed financing agreements, if any.
- 4) We have valued the financial interest since the value is depending on the potential rental as stated in proposed term sheet and proposed MLAs. In this valuation we have assumed that the Lessee will fulfil their liabilities until the end of contract.
- 5) The proposed MLAs will be materialized with exact same terms specified in the proposed term sheet.
- 6) We understand that sustainability of the proposed MLAs is critical in this discounted cash flow valuation. We have capitalized the contractual rent based on special assumption that the contract will be automatically renewed under similar terms upon expiry.
- 7) In this valuation, the remaining area used as parking area is assumed as follows:
 - a. It is part of the mall and hospital's facility;
 - b. It is still used as mall's access road;
 - c. It will not be converted into any development.

13. Valuation Approach

In this valuation, we have adopted Income Approach with Discounted Cash Flow Method for Market Value and Cost Approach for Indicative Reinstatement Value.

14. Confirmation on Indonesian Valuation Standards

The Valuer's analysis, opinions, and conclusions, together with the report have been prepared in conformity with the Indonesian Valuation Standards and Valuer Ethic Codes (KEPI & SPI 6th Edition - 2015).

We are confirmed that this valuation is conducted based on Indonesian Valuers Code of Ethics (KEPI) but there is a deviation from Indonesian Valuation Standard (SPI) 6th Edition - 2015 whereas there is another valuer engaged at this valuation for the same purpose and valuation date.

15. Valuation Conclusion

Having considered all relevant information and prevailing market conditions, we are of the opinion that the Market Value of Financial Interest in land and building components of SHBN and LPB located at Jalan Sultan Hasanuddin No. 50,52,54,58, Batulo Sub-District, Wolio District, Baubau City, South East Sulawesi Province, Indonesia, as of 1 May 2017 is:

SGD28,500,000/-

(TWENTY EIGHT MILLION FIVE HUNDRED THOUSAND SINGAPORE DOLLARS)

By using exchange rate as of date of valuation SGD1 = Rp9,550.62/- the Market Value is:

Rp272,200,000,000/-

(TWO HUNDRED SEVENTY TWO BILLION TWO HUNDRED MILION RUPIAHS)

Yours faithfully,

Jakarta, 31 May 2017

KJPP Rengganis, Hamid & Rekan

  **KJPP Rengganis, Hamid & Rekan**

Rengganis Kartomo, MAPPI (Cert.)

Managing Partner – Property and Business Valuer


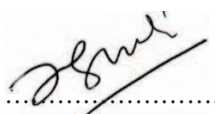

Licensed Valuer No. PB-1.08.0006

MAPPI No. 95-S-00632

COMPLIANCE STATEMENT

Within the limitations of our ability and belief, we the undersigned declare that:

1. The statement in this report, which are based on the analysis, opinions and conclusions described therein, are to the best of our knowledge true and correct.
2. The report explains the limiting conditions and disclaimer that may have influenced the aforementioned analysis, opinion and conclusions.
3. We have no present or contemplated future interest in the property that is subject of this appraisal, nor have personal interests or bias to respect of the subject matters of this valuation or the parties involved.
4. The professional fee is not related with the opinion of value as stated in this report.
5. The Valuers have already accomplished professional education requirements defined/implemented by MAPPI (Masyarakat Profesi Penilai Indonesia).
6. The Valuers possess adequate understanding regarding the location and/or the type of property under valuation.
7. The engagement in this assignment was not contingent upon developing or reporting predetermined results.
8. The Valuers compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of the stipulated result, or the occurrence of a subsequent event directly related to the intended use of this valuation.
9. The Valuers have carried out the following scope of work:
 - Problem identification (identifying the limitation, property rights, purpose and objective, definition of value, date of valuation);
 - Data collection and property inspection;
 - Data analysis;
 - Value estimation using suitable approaches;
 - Report writing.
10. No one other than the undersigned Valuers were involved in the inspection, analysis, conclusion, and opinions concerning the property that are set forth in this valuation report.
11. The Valuer's analysis, opinions, and conclusions, together with the report have been prepared in conformity with the Indonesian Valuation Standards and Valuer Ethic Codes (SPI 6th Edition - 2015).

Name	Qualification	Signatures
<i>Job Captain:</i>		
Rengganis Kartomo, MAPPI (Cert.) Licensed Valuer No. PB-1.08.00006 MAPPI No. 95-S-0632	Property & Business Valuer	
<i>Reviewer :</i>		
Vivien Heriyanthi, MAPPI (Cert.) Licensed Valuer No. PB-1.09.00263 MAPPI No. 00-S-1256	Property & Business Valuer	
<i>Valuer:</i>		
Amalaura Dienaulie MAPPI No. 12-T-03896	Property Valuer	
Agus Herianto MAPPI No. 15-P-05897	Property Valuer	
Ryno Hananda MAPPI No. 16-P-06710	Property Valuer	

VALUATION CERTIFICATE OF SILOAM HOSPITALS BUTON AND LIPPO PLAZA BUTON

General Description of Property	Property Identification	Market Value as of 1 May 2017
<p>Property Brief</p> <p>The subject property is a Financial Interest in land and building component of SHBN & LPB. SHBN and ancillary healthcare-related premises comprises a private hospital with maximum capacity of 160 beds and total lettable area of 10,796 square meters. LPB anchor mall space comprises 2 anchor retail tenants with 11,138 square meters in lettable area.</p> <p>Location</p> <p>The subject property is located at Jalan Sultan Hasanuddin No. 50,52,54,58, Batulo Sub-District, Wolio District, Baubau City, South East Sulawesi Province, Indonesia. It is located on the south side of Jalan Sultan Hasanuddin or within radius of:</p> <ul style="list-style-type: none"> about 40 meters to the east of the intersection between Jalan Sultan Hasanuddin and Jalan Jambu Mete; about 1.8 kilometers to the southeast of Baubau Harbour; about 3.5 kilometers to the northeast of City Center; about 7.3 kilometers to the southwest of Baubau Airport. 	<p>Site Details and Tenure</p> <p>We understand that there are 4 (four) parcels of land with total area of 33,360 square meter. The site is like a U-shaped. The frontage is about 446 square meters and the maximum depth is about 399 square meters. It is generally flat and higher than Jalan Sultan Hasanuddin.</p> <p>First REIT will only acquire 2 (two) parcels comprises SHBN's land and LPB's land. The site of SHBN is an L-shaped with land area of about 4,180 square meter. The frontage is about 90 square meters and the maximum depth is about 60 square meters. It is generally flat and higher than Jalan Sultan Hasanuddin. The site of LPB is an L-shaped with land area of about 17,694 square meter. The frontage to parking area is about 135 square meters and the maximum depth is about 285 square meters. It is generally flat and higher than the parking area.</p> <p>The land ownership is a partial interest covered by BOT Agreement No. 032/2614 and 01/PKS-AS/VI/2014 dated 16 June 2014 and Addendum No. 032/3048 and III/AGMT/LGL-AS/XI/2015 dated 25 November 2015 between Buton Regency Government (lessor) and PT Andromeda Sakti (lessee) commenced on 16 June 2014 and will be expired on 15 June 2044. It is erected on land held under 2 (two) Right to Build Certificates (Hak Guna Bangunan) which is registered under the name of PT Andromeda Sakti with land area of 33,367 square meters. Based on information from the Client, the total land area will be changed into 33,360 square meters due to re-measurement.</p> <p>Town Planning</p> <p>Zoning : Commercial Site coverage (KDB) : Not Regulated Plot ratio (KLB) : Not Regulated Height limitation : Not Regulated</p> <p>The building is covered with the following permits:</p> <ul style="list-style-type: none"> Building Permit No. 440/02/BPMPTSP/KOTA/02/III/2016 issued on 18 March 2016 registered under the name Dr. Grace Frelita Indrajaja. Hospital Operational Permit No. 445.2/2/IV/2016 issued on 1 April 2016 registered under the name Dr. Muhamad 	<p>Siloam Hospitals Buton & Lippo Plaza Buton</p> <p>SGD28,500,000/- (TWENTY EIGHT MILLION FIVE HUNDRED THOUSAND SINGAPORE DOLLARS)</p> <p>By using exchange rate as of date of valuation SGD1 = Rp9,550.62 the Market Value is:</p> <p>Rp272,200,000,000/- (TWO HUNDRED SEVENTY TWO BILLION TWO HUNDRED MILLION RUPIAHS)</p>

General Description of Property	Property Identification	Market Value as of 1 May 2017
	<p>Agung Zain.</p> <p><u>Building Description</u></p> <p>The subject property comprises 2 individual standalone buildings that are linked and integrated by a common covered link-way.</p> <p>Open air parking for SHBN and LPB is available on the adjacent land which is owned by PT Lippo Karawaci Tbk.</p> <p>SHBN is a 3-storey hospital building and completed since 2016. LPB is a single storey mall building and completed since 2015.</p> <p>As of inspection, we found that the building was generally in good condition.</p>	

VALUATION CERTIFICATE

Property	: Siloam Hospitals Buton ("SHBN") and Lippo Plaza Buton ("LPB")
Address	: Jalan Sultan Hasanuddin No. 50, 52, 54, 58, Sub-district of Batulo, District of Wolio, City of Baubau, Province of Sulawesi Tenggara - Indonesia
Property Description and Age	: The subject development comprises 2 individual standalone interconnected buildings that are erected on a common BOT land with a land area of 33,367 square meters, namely: - SHBN which is a newly built 3-storey stand-alone hospital with maximum capacity of 160 beds that has commenced operations on 4 April 2016. - LPB, which is a single storey, newly built stand-alone retail mall, which commenced operations on 22 December 2015, and which provides amenities to the hospitals visitors' families and friends. SHBN and LPR are linked and integrated by a common covered link-way. Open air parking for SHBN and LPB is available on the adjacent land which is owned by the Sponsor.
Client	: Bowsprit Capital Corporation Limited (as Manager of First Real Estate Investment Trust).
Legal Description	: Proposed 2 separate SHGB titles on top of BOT Agreement No. 032/3614 or 01/PKS-AS/VI/2014 dated 16 June 2014 and its addendum No.032/3048 or 111/AGMT/KGK-AS/XI/2015 dated 25 November 2015. The expiry date is 15 June 2044. Note: Lands in relation to Parking Area, Cinemaxx Area, and Loading Dock Area will not be acquired by First REIT.
Basis of Valuation	: Market Value.
Registered Owner	: PT Andromeda Sakti.
Land Area	: 21,874 square meters.
Gross Floor Area	: a. SHBN and ancillary healthcare-related premises: 10,796 square meters. b. LPB's anchor mall space: 11,138 square meters. Total (SHBN and LPB): 21,934 square meters. * Note: Cinemaxx Area, Parking Area, and Loading Dock Area are not included in the transaction.
Town Planning Zoning	: Hospital and Shopping Mall Use (according to Building Permit).
Valuation Approach	: Income Approach
Date of Valuation	: 1 May 2017
Market Value	: SGD 29,200,000 (Singapore Dollars Twenty Nine Million Two Hundred Thousand)
Reflecting	: Rp278,729,914,000
Rate 1 SGD	: Rp9,545.545
Prepared By	: KJPP Rinaldi Alberth Baroto & Rekan



Alberth, ST, MAPPI (Cert.)

Managing Partner

Valuer License No. P-1.10-00287

Address: Gedung Pusat Perfilman H. Usmar Ismail 3rd Floor, Jalan HR Rasuna Said Kav. C-22, Jakarta 12940

Phone: (+6221) 2205 7800 | Fax: (+6221) 2205 7805 | Email: mail@penilai.co.id

www.penilai.co.id

INDONESIA HEALTHCARE MARKET REVIEW REPORT



Independent Market Research
Healthcare Market Assessment in Bau Bau

Executive Summary

7th July 2017

The market research process for this study has been undertaken through secondary/desktop research as well as primary research, which involves discussing the status of the industry with leading participants and experts. The research methodology used is the Expert Opinion Consensus Methodology. Quantitative market information was sourced from interviews by way of primary research, and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate. Frost & Sullivan's estimates and assumptions are based on varying levels of quantitative and qualitative analyses, including industry journals, company reports and information in the public domain since we also track the healthcare industry.

Forecasts, estimates, predictions, and other forward-looking statements contained in this report are inherently uncertain because of changes in factors underlying their assumptions, or events or combinations of events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions, or such statements.

This study has been prepared for inclusion in the Circular to Unitholders ("**the Circular**") as prepared by Bowsprit Capital Corporation Limited ("**the Company**") in relation to Siloam Hospitals Buton.

Save for the inclusion of this study in the Circular issued by the Company (as reviewed by Frost & Sullivan), no part of it may be otherwise given, lent, resold, or disclosed to non-customers without our written permission. Furthermore, no part may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without our permission.

Frost & Sullivan has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. We believe that this study presents a true and fair view of Healthcare Services market in Bau Bau in Indonesia within the limitations of, among others, secondary statistics and primary research, and it does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective, and it may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be liable for any loss suffered because of reliance on the information contained in this study. This study should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in it or otherwise.

Authorized Signatory



Sanjay Singh

Senior Vice President

Frost & Sullivan (S) Pte Ltd

100 Beach Road #29-01/11 Shaw Tower

S (189702)

Executive Summary

This report focuses on the Healthcare Services industry in Buton Island, with an emphasis on Bau Bau, to study the existing state of healthcare providers, current patient profiles and the opportunity for Siloam Hospitals Buton (“SHBN”), currently operating in Bau Bau under Siloam Hospitals Group.

In Indonesia, a health insurance scheme implemented at the national level, known as National Health Insurance (“JKN”), is administered by BPJS Kesehatan and covers nearly 176.7 million participants as of March 2017, representing approximately 67% of the total Indonesian population. It is an integrated healthcare scheme that classifies the participants into two categories:

- **Contribution Assisted Recipients (“PBI”):** Low-income earners, whereby their incomes is only sufficient to meet their basic needs and are incapable to pay BPJS fee, as well as people living below the poverty line who do not possess a source of income. These people are excluded from paying monthly fees.
- **Non PBI:** Population living above the poverty line and foreign citizens residing in Indonesia and having worked in Indonesia for at least six months are eligible for the healthcare insurance program.

Basic healthcare services in Indonesia are supported through the establishments of Puskesmas, Poskesdes, Posyandu and Polindes. Puskesmas provides only outpatient related treatment, with the exception of remote areas where it provides inpatient care; Poskesdes treats basic outpatient related ailments and it refers complex cases to Puskesmas; Posyandu on the other hand focuses on providing supplements and vaccines to infants & toddlers. The goal of Posyandu is to educate nursing mothers on the importance of nutrients and therefore to reduce malnutrition in villages where as Polindes is a designated place where midwives assist villagers in delivering babies.

Bau Bau city is located in Buton Island. It shares borders on the North with Buton Strait, East with Kapontori District, South with Pasarwajo District and West with Kadatua District. Bau Bau is a port city that serves as a hub connecting Western and Eastern Indonesia due to its strategic location. The city government realizes the importance of healthcare services and therefore has increased healthcare budget by more than 50% in 2016.

As of 2016, there are three hospitals in Bau Bau which are RS Murhum, RSUD Bau Bau and SHBN. SHBN commenced operations in April 2016, with maximum bed capacity of 160 beds. Currently, it is operating at 50% of its capacity of 60 beds whereby approximately 65% of the beds are allocated to Class 1-3. This is because 85% of SHBN’s patients mix is BPJS cardholders while the remaining 15% are private or corporate patients.

SHBN is anchored by a three-pillar synergized strategy comprising:

- **Excellence in Emergency Services:** SHBN is the only hospital in Bau Bau with a Rapid Response System, which is an ambulatory service with a call center. To qualify, a hospital must have a minimum of two ambulances. In addition, the hospital has a dedicated hotline to ensure access to immediate ambulance dispatch services.
- **Comprehensive Equipment and Technologies:** SHBN is equipped with diagnostic technologies including a 16-slice CT scanner and haemodialysis equipment. The CT scanner and hemodialysis equipment are not required for C-category hospitals. However, the hospital came equipped with these medical devices in line with SHG’s commitment to provide better, affordable healthcare across Indonesia.
- **Robust Doctor Partnership Program:** SHBN provides attractive remuneration packages, employee benefits, and career development opportunities as incentives to retain its medical personnel. In SHBN,

general practitioners and specialists are given a specific base salary with additional percentage from each patient treated.

SHBN has strengths such as:

- **Strong brand name:** The Siloam Hospital brand name is trusted and associated with quality.
- **Leverage on group infrastructure:** SHBN has the ability to leverage on the strengths of SHG's expertise and networks.
- **Haemodialysis equipment:** Previously, patients seeking treatment for kidney failure will need to go to Kendari or Makassar due to the lack of Nephrology related medical services locally. Now patients in Bau Bau and surrounding regencies can be treated in SHBN.
- **Conducive facilities:** SHBN is equipped with comprehensive diagnostic equipment that is not available in any other hospitals in the city such as a CT-Scanner.
- **Marketing programs:** In order to boost market awareness, SHBN has initiated several marketing programs including health education seminars for the locals.
- **Nursing school:** There are two nursing school in Bau Bau, which means that SHBN has a ready supply of nurses to train and support medical staff.

Weaknesses identified with regard to SHBN include:

- **Lack of full-time doctors:** Currently half of SHBN's specialists are part-time doctors due to an industry wide shortage. SHG however has a successful brand name that attracts the most talent.

There are several opportunities that SHBN will tap into, including:

- **Rising GDP per capita:** Bau Bau's GDP per capita has increased which is likely to create demand for better quality healthcare services. In addition, with Coordination of Benefit (CoB), BPJS patients can upgrade to class 1 or VIP which provides additional income for SHBN.
- **Referral from surrounding regencies:** Bau Bau is situated in Buton Island which consists of five regencies and one city (Bau Bau). All of the five regencies only have basic healthcare facilities in place. Therefore, Bau Bau has the opportunity to be the referral center for Buton Island by liaising with Puskesmas and hospitals in other regencies.

SHBN's biggest threat is retention of specialist doctors and GPs as they tend to migrate to metropolitan areas after a few years of practice in Bau Bau.

To address the above threats and weaknesses, SHBN has created marketing strategies to strengthen its market positioning. To appeal to all segment of the population, SHBN is reaching out to places of worship such as mosques, churches to raise awareness of SHBN's medical facilities and BPJS scheme. In tandem, SHBN also organizes workshops between patients and doctors to educate the population on non - communicable diseases such as diabetes, cardiology related diseases, among others.

In conclusion, SHBN aims to provide premium healthcare services and will have a steady stream of patients due to the growing demand of better healthcare services from the middle to affluent population in Bau Bau. Furthermore, SHBN also aspires to be the referral center for Buton Island as it is the first healthcare facility in Buton Island to provide CT scanning and hemodialysis services. Overall, SHBN is well-positioned for success as it has a growing team of skilled doctors and nurses supported with comprehensive equipment and a vast referral network of doctors from all Siloam Hospitals in Indonesia.

INDEPENDENT FINANCIAL ADVISER'S LETTER

IFA LETTER

STIRLING COLEMAN CAPITAL LIMITED

(Company registration no.:200105040N)

4 Shenton Way #07-03
 SGX Centre 2
 Singapore 068807

30 August 2017

To: The Independent Directors of
 Bowsprit Capital Corporation Limited
 (in its capacity as Manager of First Real Estate Investment Trust) (the "**Manager**") and
 HSBC Institutional Trust Services (Singapore) Limited
 (in its capacity as trustee of First Real Estate Investment Trust) (the "**Trustee**");

Dear Sirs

INDEPENDENT FINANCIAL ADVISER'S ADVICE IN RESPECT OF:

- (1) THE PROPOSED ACQUISITION BY FIRST REAL ESTATE INVESTMENT TRUST ("FIRST REIT") OF SILOAM HOSPITALS BUTON ("SHBN") AND LIPPO PLAZA BUTON ("LPB", AND TOGETHER WITH SHBN, THE "PROPERTY") FROM AN INTERESTED PERSON, BEING A SUBSIDIARY OF THE SPONSOR (THE "VENDOR") (THE "BUTON ACQUISITION"); AND
- (2) THE PROPOSED MASTER LEASE IN RESPECT OF SHBN TO THE SPONSOR AND A SUBSIDIARY OF THE SPONSOR, AND THE PROPOSED MASTER LEASE IN RESPECT OF LPB TO THE VENDOR (THE "BUTON MASTER LEASES")

(TOGETHER, THE "INTERESTED PERSON TRANSACTIONS" OR "IPT TRANSACTIONS")

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 30 August 2017 to the Unitholders of First REIT (the "**Circular**").*

1 INTRODUCTION

First REIT was established with the principal investment objective of owning and investing in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare-related purposes 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.

As part of First REIT's growth strategy, the Manager is committed to pursuing acquisition opportunities that will enhance First REIT's asset base and maintain an attractive cash flow and yield profile.

In furtherance of this growth strategy, First REIT is seeking to enter the proposed IPT Transactions comprising:

(a) The Buton Acquisition

First REIT is seeking to acquire the Property for a purchase consideration of Rp.273.60 billion (S\$28.50 million), including the applicable land and building acquisition tax (Bea Perolehan Hak atas Tanah dan Bangunan) (“**BPHTB**”, and collectively, the “**Buton Total Consideration**”) from the Vendor, which directly wholly-owns the Property. For purposes of the Buton Acquisition, First REIT has incorporated SHButon Investment I Pte. Ltd., a wholly-owned subsidiary incorporated in Singapore (“**Buton1**”), for a nominal consideration of S\$1.00. Buton1 has on 20 July 2017 entered into a conditional sale and purchase agreement with the Vendor (the “**Property CSPA**”) for the Buton Acquisition.

(b) The Buton Master Leases

On the date of the completion of the Buton Acquisition, the IndoCo (as master lessor of SHBN) will enter into a master lease agreement (the “**SHBN Master Lease Agreement**”) with the SHBN Master Lessees and a separate master lease agreement (the “**LPB Master Lease Agreement**”) with the LPB Master Lessee (the SHBN Master Lease Agreement and LPB Master Lease Agreement are collectively referred to as “**Buton Master Lease Agreements**”) pursuant to which the IndoCo will grant the SHBN Master Lease to the SHBN Master Lessees (as defined below) and the LPB Master Lease to the LPB Master Lessee (as defined below) respectively, each 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 and LPB Master Lessee respectively.

1.1 Interested Person Transactions requiring Unitholders’ approval

As at 23 August 2017, being the latest practicable date prior to the printing of the Circular (the “**Latest Practicable Date**”), 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” of First REIT and a “Controlling Shareholder” of the Manager respectively under both the Listing Manual of the SGX-ST (the “**Listing Manual**”) and the Property Funds Appendix.

The Vendor, being an indirect wholly-owned subsidiary of the Sponsor (which in turn is a Controlling Unitholder of First REIT and a Controlling Shareholder of the Manager) is an Interested Person and Interested Party of First REIT. As such, the Buton Acquisition will constitute an Interested Person Transaction under Chapter 9 of the Listing Manual and also an Interested Party Transaction under paragraph 5 of the Property Funds Appendix for which Unitholders’ approval is required. The Buton Master Leases will also constitute an Interested Person Transaction under Chapter 9 of the Listing Manual for which Unitholders’ approval is acquired.

2 TERMS OF REFERENCE

Stirling Coleman has been appointed to advise the Independent Directors and the Trustee on whether the IPT Transactions are (a) on normal commercial terms and (b) are prejudicial to the interests of First REIT and its minority Unitholders.

We have prepared this Letter for the use of the Independent Directors in connection with their consideration of the IPT Transactions and their advice and recommendation to the minority Unitholders in respect thereof. The recommendations made to the minority Unitholders in relation to the IPT Transactions remains the responsibility of the Independent Directors. This Letter is further given for the benefit of HSBC Institutional Trust Services (Singapore) Limited, as Trustee of First REIT.

We were not involved in any aspect of the negotiations in relation to the IPT Transactions, nor were we involved in the deliberations leading up to the decision by the Board of Directors to enter into the IPT Transactions, and we do not, by this Letter or otherwise, advise or form any judgement on the merits of the IPT Transactions other than to form an opinion, as to whether the IPT Transactions, are based on normal commercial terms and prejudicial to the interests of First REIT and its minority Unitholders.

We have confined our evaluation to the financial terms of the IPT Transactions and our terms of reference do not require us to evaluate or comment on the risks and/or merits of the IPT Transactions or the future prospects of First REIT, including whether the IPT Transactions are commercially desirable or justifiable, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and the management of the Manager, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. Accordingly, it is not within our scope to conduct a comprehensive independent review of the business, operations or financial condition of First REIT.

It is not within our terms of reference to compare the relative merits of the IPT Transactions vis-à-vis any alternative transaction previously considered by the Manager or transactions that the Manager may consider in the future, and such comparison and consideration remain the responsibility of the Directors.

We have not made an independent evaluation or appraisal of the assets and liabilities (including without limitation, real property, machinery and equipment) of First REIT or the Property, and we have not been furnished with any such evaluation or appraisal except for the relevant valuation reports by the independent valuers ("**Independent Valuers**"). We are not experts in the evaluation or appraisal of assets and liabilities or the determination of the market value ("**Market Value**") of the Property and have relied solely on the Independent Valuers in this respect.

In formulating our opinion and recommendation, we have held discussions with the Directors and management of the Manager and have examined publicly available information and we have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Manager and its other professional advisers. We have relied upon the assurance of the Directors and the management of the Manager that all statements of fact, opinion and intention made by the Directors and the management of the Manager in the Circular have been reasonably made after due and careful enquiry. We have not independently verified such information but have made such reasonable enquiries and exercised our judgement as we deemed appropriate on such information and have no reason to doubt the accuracy or reliability of the information used for the purposes of our evaluation. Accordingly we cannot and do not expressly and impliedly represent or warrant, and do not accept any responsibility for the accuracy, or completeness or adequacy of such information or the manner in which it has been classified or presented or the basis of any valuation which may have been included in the Circular or announced by First REIT. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. Accordingly, we do not express an opinion herein as to the prices at which the Units of First REIT may trade upon completion of the Transaction.

In rendering our services, we have not taken into consideration the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Unitholder. As each Unitholder would have different investment objectives and profiles, any individual Unitholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Manager has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

Our recommendation in respect of the IPT Transactions as set out in Appendix D of the Circular, should be considered in the context of the entirety of this Letter and the Circular. Where information in this Letter has been extracted from the Circular, minority Unitholders are urged to read the corresponding sections in the Circular carefully.

3 INFORMATION ON THE BUTON ACQUISITION

Detailed descriptions of the Buton Acquisition are set out in **Section 2** of the Circular. We recommend that the Independent Directors advise minority Unitholders to read **Section 2** of the Circular very carefully.

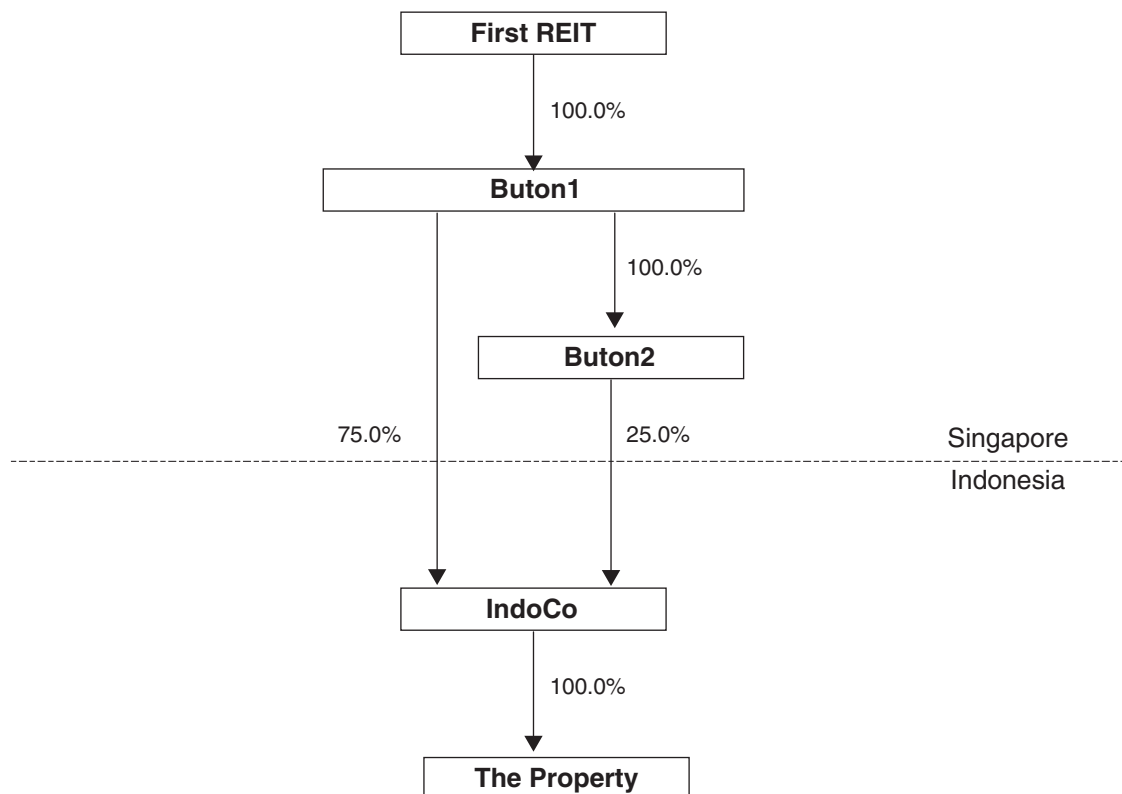
3.1 Detail and Structure of the Buton Acquisition

First REIT is seeking to acquire the Property for the Buton Total Consideration of Rp.273.60 billion (S\$28.50 million) from the Vendor, which directly wholly-owns the Property and is an indirect wholly-owned subsidiary of the Sponsor. For purposes of the Buton Acquisition, First REIT has incorporated Buton1, a wholly-owned subsidiary incorporated in Singapore, for a nominal consideration of S\$1.00. Buton1 has on 20 July 2017 entered into the Property CSPA for the Buton Acquisition.

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 the Novation Agreement. To this end, the Indonesian company which Buton1 intends to novate the Property CSPA to is IndoCo, a new Indonesian limited liability company that has recently been incorporated and which is wholly-owned by Buton1 and Buton1's wholly-owned subsidiary, Buton2. Buton2 is 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.

The Vendor had entered into a Build, Operate and Transfer ("**BOT**") agreement with the Government of Buton Regency ("**BOT Grantor**") dated 16 June 2014 (as amended on 25 November 2015) (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 (and covered by Hak Pengelolaan (Right to Manage) ("**HPL**") title) including the right to obtain HGB titles over such HPL. The BOT Agreement covers a land area of 33,367 sq m, on which four HGB titles 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 certificates, 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 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.

The following chart sets out the structure under which the Property will be held by First REIT upon completion of the Buton Acquisition:



3.2 Description of the Property

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 4 April 2016 and ancillary healthcare-related premises. SHBN has a total GFA of 10,796 sq m¹. SHBN is a Centre of Excellence for Emergency & Trauma. Some of the medical facilities available at SHBN include 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.

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.

Further details about the Property is set out in **APPENDIX A** of the Circular.

3.3 Valuation

The Buton Total Consideration was arrived at on a willing-buyer willing-seller basis after taking into account two independent valuations of the Property. The Independent Valuers, KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. ("**Rengganis**") and KJPP Rinaldi, Alberth, Baroto & Partners ("**Alberth**"), were appointed by the Trustee, and the Manager respectively to value the Property.

¹ Vehicle access road and open air parking for the Property is available on the adjacent land which is owned by the Sponsor. Pursuant to the Property CSPA, for so long as the IndoCo is the owner of the Property, the Vendor will, among others, provide and guarantee the availability of the access road and parking lot on the adjacent land owned by the Sponsor for visitors to the Property and the operations of the Property and the normal and reasonable function of such access road and parking lot to be used by the visitors to the Property and the operations of the Property without any substantial obstacle and/or disruption and will not conduct any action or enter into any agreement or arrangement with any party that may limit or restrict the availability of such access and parking lot to visitors to the Property and for the operations of the 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		Purchase Consideration (\$\$ million)
By Rengganis as at 1 May 2017 (\$\$ million)	By Alberth as at 1 May 2017 (\$\$ 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.

Details of the valuation of the Property are set out in **APPENDIX B** of the Circular. We recommend that the Independent Directors advise minority Unitholders to read **APPENDIX B** of the Circular very carefully.

3.4 Estimated Total Acquisition Cost for First REIT

The Buton Acquisition Cost to be incurred by First REIT is currently estimated to be approximately S\$29.44 million comprising:

- (i) the Buton Total Consideration of S\$28.50 million;
- (ii) the Buton Acquisition Fee of S\$285,000¹ payable to the Manager pursuant to Clause 14.2.1 of the Trust Deed which is payable in the form of the Buton Acquisition Fee Units; and
- (iii) the professional and other fees and expenses incurred or to be incurred by First REIT in connection with the Buton Acquisition of approximately S\$650,000².

3.5 Method of Financing the IPT Transactions

The Buton Total Consideration will be paid in cash on the date of completion of the Buton Acquisition. The Buton Acquisition Cost (excluding the Buton Acquisition Fee Units payable to the Manager) 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 to be employed will be made by the Manager at the appropriate time taking into account the relevant market conditions.

As at the Latest Practicable Date, First REIT has an aggregate leverage of 31.0%. Under the Property Funds Appendix, First REIT's aggregate leverage may not exceed 45.0% of its Deposited Property³. Assuming that the Buton Acquisition is financed 100.0% with borrowings, First REIT's aggregate leverage will increase from 31.0% to approximately 32.6%, which is within the maximum aggregate leverage limit of 45.0% under the Property Funds Appendix.

3.6 Conditions Precedent for Completion of the Buton Acquisition

The conditions precedent for the Completion of the Buton Acquisition are set out in **Section 2.3** of the Circular. We recommend that the Independent Directors advise minority Unitholders to read **Section 2.3** of the Circular very carefully.

3.7 Completion

Completion of the sale and purchase of the Property by the IndoCo under the Property CSPA is expected to take place as soon as practicable after First REIT raises adequate proceeds for the Buton Acquisition and after the conditions precedent set out in the Property CSPA have been fulfilled.

¹ Being 1.0% of the Buton Total Consideration.

² It is expected that most of the professional and other fees and expenses in connection with the SHBN Acquisition will be incurred by First REIT even if the Manager does not proceed with the Buton Acquisition.

³ "**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.

4 INFORMATION ON THE BUTON MASTER LEASES

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

- (i) the SHBN Master Lease Agreement with the Sponsor and PT Bina Bahtera Sejati (the “**Siloam Lessee**”) (together, as the SHBN Master Lessees); and
- (ii) the LPB Master Lease Agreement with the Vendor (as the LPB Master Lessee).

Under the SHBN Master Lease Agreement, the IndoCo will grant the SHBN Master Lessees 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 LPB Master Lessee 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.

The principal terms of the Buton Master Leases are set out in **Section 2.12** of the Circular. We recommend that the Independent Directors advise minority Unitholders to read **Section 2.12** in the Circular very carefully.

5 EVALUATION OF THE IPT TRANSACTIONS

5.1 Summary of analysis performed

In arriving at our opinion, as to whether the IPT Transactions, comprising (i) the Buton Acquisition, (ii) the Buton Master Leases, are on normal commercial terms and are prejudicial to the interests of First REIT and its minority Unitholders, we have performed among other things, the following analysis:

The Buton Acquisition

- Rationale for the Buton Acquisition to assess whether they are prejudicial to the interests of First REIT and its minority Unitholders;
- Financial assessment of the Buton Acquisition to evaluate the fairness of the Buton Total Consideration;
- Review of the other commercial terms of the Buton Acquisition;
- Review of the market conditions and prospects of the healthcare industry in Buton Island, Bau Bau, Indonesia;
- Review of the pro forma financial effects after the Buton Acquisition on the Distribution Per Unit (“**DPU**”), Net Asset Value (“**NAV**”) per Unit and total capitalisation of First REIT as at 31 December 2016 and as at 30 June 2017; and
- Analysis of the pro forma distribution yield of First REIT as compared to other REITs listed on the SGX-ST.

The Buton Master Leases

- Rationale for the Buton Master Leases to assess whether the objectives of the Buton Master Leases are prejudicial to interests of First REIT and its minority Unitholders;
- Analysis of the impact of the Buton Master Leases on the property yield and the weighted average years to lease expiry of First REIT;
- Analysis of the key terms of the Buton Master Leases as compared to other master lease agreements of properties used for healthcare and/or healthcare-related purposes owned by SGX-ST listed REITs;

- Review of the other commercial terms of the Buton Master Leases; and
- Other considerations relating to the Buton Master Leases.

We wish to highlight that by approving the Buton Acquisition, Unitholders are also deemed to have approved the Buton Master Leases.

5.2 Analysis on the Buton Acquisition

5.2.1 Rationale for the Buton Acquisition

The Manager's rationale for the Buton Acquisition is set out in **Section 3** of the Circular. We reproduce below extracts relevant to the Proposed Acquisition:

“Strategic acquisition of a hospital with ancillary healthcare-related premises 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 primarily used for healthcare and/or healthcare-related purposes.

The Property (in which over 56% of its rental revenue is generated by SHBN, including its ancillary healthcare-related premises) 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 complementary 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-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 premises 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.

Opportunity to purchase an attractive and high quality property in Southeast 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.

Increased income stability of First REIT through the Buton Master Leases and an increase in First REIT’s 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 Income 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 are between 10 to 15 years. After the completion of the Buton Acquisition, First REIT will benefit from the increase in the Enlarged Portfolio's 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.

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 Property 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 Indonesian 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.

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, neurology.

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

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."

5.2.2 Financial assessment of the Buton Acquisition

Pursuant to the Property CSPA, the Buton Total Consideration is approximately S\$28.50 million. In evaluating the reasonableness of the Buton Total Consideration, we have considered the following factors which have a bearing on our assessment:

i) Basis for arriving at the Buton Total Consideration

We note that 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. The valuations were derived by Rengganis and Alberth using the income approach with discounted cash flow method to determine the Market Value.

ii) Valuation of the Property by the Independent Valuers

Two independent property valuers were appointed for the purpose of determining the Market Value of the Property. The Market Values estimated by Rengganis and Alberth are as at 1 May 2017.

Summarised versions of the valuation reports (the “**Valuation Reports**”) are contained in **Appendix B** of the Circular, with the determined Market Values set out below:

Property	Appraised Value				Buton Total Consideration (S\$ million)
	By Rengganis as at 1 May 2017		By Alberth as at 1 May 2017		
	(S\$ million)	(Rp. billion)	(S\$ million)	(Rp. billion)	
Buton	28.50	272.20	29.20	278.73	28.50

Our observations in relation to the Valuation Reports are as follows:

- The Valuation Report prepared by Rengganis has adopted the “Market Value” basis in accordance with the Indonesian Valuation Standards (Standar Penilaian Indonesia / SPI).
- The Valuation Report prepared by Alberth has adopted the “Market Value” basis in accordance with the Indonesian Valuation Standards (Standar Penilaian Indonesia / SPI) Edition VI – 2015, and the International Valuation Standards (IVS)
- Based on the agreed Buton Total Consideration of S\$28.50 million and the appraised values of the Property of S\$28.50 million and S\$29.20 million by Rengganis and Alberth respectively, we note that the Buton Total Consideration is the same as the appraisal value of Rengganis and approximately 2.40% below the appraisal value of Alberth, and approximately 1.21% below the average of the two independent valuation for the Property.

Further information regarding the Valuation Reports can be obtained throughout the Circular, in particular within **APPENDIX B** of the Circular. We recommend that the Independent Directors advise minority Unitholders to read these sections of the Circular carefully.

5.2.3 Other commercial terms of the Proposed Acquisition

i) BPHTB and VAT

BPHTB

The purchase of the land and building from the Vendor by the IndoCo is subject to the land and building acquisition tax (Biaya Perolehan Hak Atas Tanah dan Bangunan) (“**BPHTB**”) at the rate of 5%, whichever is higher between the purchase price or the sale value of the tax object as determined by the head of local government. The Buton Total Consideration is inclusive of the BPHTB.

VAT

The IndoCo will be charged value-added tax (“**VAT**”) at the rate of 10% on the purchase of the Property. The VAT charges by the Vendor will be treated as input VAT, which can be used to offset the output VAT from rental income of the IndoCo.

Details of the BPHTB and VAT are set out in **APPENDIX F** of the Circular.

ii) Indemnity in relation to the Property CSPA

The Trustee has also entered into a deed of indemnity with PT Wisma Jatim Propertindo (“**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**”). Certain condition of the Deed of Indemnity are set out in **Section 2.7** of the Circular.

5.2.4 Review of market conditions and prospects of the healthcare industry in Bau Bau, Indonesia

We were provided with a copy of the report entitled “Independent Market Research on Healthcare Services Market in Bau Bau Indonesia” by Frost & Sullivan, dated June 2017, in relation to which we note the following:

- The city government recognises the need for more accessible healthcare services. Hence, there is an increase in basic healthcare services supported through Puskesmas, Posyandu, Polindes, and Poskesdes.
- In 2015, there were 28 hospitals in Southeast Sulawesi including 3 in Bau Bau. Approximately half of the hospitals are situated in the capital city of Southeast Sulawesi, Kendari. The regional government of Bau Bau aims to improve accessibility of healthcare services to remote communities by establishing Polindes, Poskesdes and Posyandu. Consequently Bau Bau has the highest portion of Polindes which is aligned to the regional government’s programme to reduce maternal, infant & children mortality rate.
- The total number of medical personnel in Bau Bau city increased by 45%, from 608 in 2015 to 883 in 2016, primarily driven by a steep increase in specialist doctors and medical analysts. As the total population increases, more medical personnel are needed to support the healthcare needs of the city. Therefore, the regional government has employed more medical personnel in Puskesmas and RSUD Bau Bau.
- SHBN have Centres of Excellence (“**COEs**”) for Emergency and Trauma Care, General Surgery and Radiology. The COEs are served by teams of well-trained medical personnel that are on par with SHG overall standards and is supported by well-equipped diagnostic services & clinical laboratory. SHBN will be the first hospital to offer quality healthcare services in Buton Island as it will be offering comprehensive facilities such as ICU and NICU services, hemodialysis and diagnostic services such as CT scan. Other hospitals in Buton Island are not equipped with complete diagnostic services as they belong to category C hospitals.
- A key challenge for SHBN is to recruit specialist doctors especially in the field of paediatric medicine as many specialists prefer to practise in metropolitan cities rather in small cities. In addition the quality of nurses available locally is sub-par to SHG’s standards which require them to undergo extensive training in Siloam Hospital located in either Lembang or Purwokerto.
- Based on Frost & Sullivan survey finding and discussions SHBN’s management, SHBN is expected to gain significant market share in Bau Bau in the next five years. Currently, SHBN has managed to cater to 40% of RSUD Bau Bau’s patients. SHBN aims to become a referral point for other healthcare services providers in Buton Island such as Puskesmas and hospitals given their lack of facilities in terms of both doctors and medical devices.

Further information regarding the “Independent Market Research on Healthcare Services Market in Bau Bau Indonesia” can be obtained within **Appendix C** of the Circular. We recommend that the Independent Directors advise Unitholders to read **Appendix C** of the Circular carefully.

5.2.5 Review of the pro forma financial effects of the Buton Acquisition

The pro-forma financial effects of the Buton Acquisition are set out in **Section 5** of the Circular, and are reproduced below. We note that assumptions were made for the purposes of analysing the pro-forma financial effects. We recommend that the Independent Directors advise minority Unitholders to read these assumptions carefully, and take them into consideration when considering the financial effects.

The Pro Forma Financial Effects are for illustrative purposes and do not represent First REIT's actual financial performance following 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:

- (a) the audited financial statements of First REIT and its subsidiaries for the financial year ended 31 December 2016 ("**FY2016**", and the audited consolidated financial statements of First REIT and its subsidiaries for FY2016, the "**FY2016 Audited Consolidated Financial Statements**"; and
- (b) the unaudited consolidated financial statements of First REIT and its subsidiaries for the six months 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 issued price of S\$1.3317, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date for the management fee and Buton Acquisition Fee payable to the Manager 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 total 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.

FY2016

Pro Forma DPU

The pro forma financial effects of the Buton Acquisition on the 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)}	772,320,491	772,601,259
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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

Based on the figures above, the pro forma DPU after the Buton Acquisition will increase from 8.47 cents to 8.54 cents for FY2016.

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	771,860,250
NAV per Unit (S\$)	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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issue price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

Based on the figures above, the pro forma NAV per Unit after the Buton Acquisition will decrease slightly from 100.79 cents to 100.75 cents as at 31 December 2016.

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⁾ (S\$'000)	As adjusted for the Buton Acquisition (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	1,252,188	1,283,320

Note:

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

Based on the figures above, the pro forma total capitalisation after the Buton Acquisition will increase from S\$1.25 billion to S\$1.28 billion as at 31 December 2016.

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	778,532,816
DPU (cents)	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 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

Based on the figures above, the pro forma DPU after the Buton Acquisition will increase from 4.28 cents to 4.31 cents for 6M2017.

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	777,102,627
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 Circular.
- (3) The number of Units is arrived at after taking into account the issuance of the 214,012 Units in payment of the Buton Acquisition Fee and 66,756 Units in payment of management fee at the assumed issued price of S\$1.3317 per Unit, being the weighted average traded price for the 10 Market Days before the Latest Practicable Date.

Based on the figures above, the pro forma NAV per Unit after the Buton Acquisition will decrease from 100.41 cents to 100.37 cents as at 30 June 2017.

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⁾ (S\$'000)	As adjusted for the Buton Acquisition (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.

Based on the figures above, the pro forma total capitalisation after the Buton Acquisition will increase from S\$1.25 billion to S\$1.29 billion as at 30 June 2017.

Based on the above, we note that the IPT Transactions, taken as a whole, will result in an improvement in the DPU for Unitholders of First REIT.

We also note the following changes in the pro forma financial ratios after the Buton Acquisition:

- i) The pro forma NAV per Unit will decrease from 100.79 cents to 100.75 cents as at 31 December 2016 and from 100.41 cents to 100.37 cents as at 30 June 2017;
- ii) The pro forma total capitalisation will increase from S\$1,252.2 million to S\$1,283.3 million as at 31 December 2016 and increase from S\$1,254.4 million to S\$1,285.5 million as at 30 June 2017.

5.2.6 Analysis of the pro forma distribution yield of First REIT

We have extracted the distribution yield (on a trailing 12-month basis) of other REITs listed on the SGX-ST ("**Singapore REITs**") in order to compare the distribution yields offered by the Singapore REITs with the pro forma distribution yield of First REIT.

The information in the table presented below is for illustration purposes only. While we have made our comparisons against the Singapore REITs as shown in the table below, we recognised that the properties of the Singapore REITs may differ significantly from the properties owned by First REIT in terms of property segments, building size and design, building age, location, accessibility, tenant composition, market risks, future prospects, operating history and other relevant criteria. There is no REIT which may be considered identical to First REIT in terms of the aforesaid factors.

Accordingly, the Independent Directors should note that any comparison made with respect to the Singapore REITs serves as an illustrative guide only.

Comparable REIT and Property Trust Yield			
Name	Yield (%)	Trailing 12 months Distribution Per Unit (S\$)	Closing Price as at the Latest Practicable Date⁽¹⁾ (S\$)
Ascendas Hospitality Trust	8.42	0.070	0.830
Cache Logistics Trust	8.29	0.073	0.880
Lippo Malls Indonesia Retail Trust	8.19	0.035	0.430
Soilbuild Business Space REIT	8.17	0.059	0.725
IREIT Global	7.78	0.059	0.765
Viva Industrial Trust	7.71	0.073	0.945
Sabana Shari'ah Compliant Industrial Real Estate Investment Trust	7.70	0.036	0.470
AIMS AMP Capital Industrial REIT	7.69	0.108	1.405
ESR-REIT	7.10	0.039	0.555
Frasers Commercial Trust	7.02	0.099	1.405
OUE Commercial Real Estate Investment Trust	6.78	0.049	0.720
OUE Hospitality Trust	6.75	0.051	0.755
Frasers Hospitality Trust	6.75	0.050	0.735
Ascott Residence Trust	6.67	0.079	1.185
Mapletree Greater China Commercial Trust	6.57	0.074	1.120
Starhill Global REIT	6.52	0.049	0.755
Far East Hospitality Trust	6.32	0.041	0.655
CapitaLand Retail China Trust	6.27	0.101	1.610
Mapletree Logistics Trust	6.20	0.075	1.205
Mapletree Industrial Trust	6.18	0.115	1.855
Ascendas Real Estate Investment Trust	5.99	0.159	2.660
CDL Hospitality Trusts	5.91	0.097	1.635
Mapletree Commercial Trust	5.75	0.088	1.535
Fortune Real Estate Investment Trust	5.69	0.090	1.575
SPH REIT	5.58	0.055	0.990
Frasers Centrepont Trust	5.57	0.117	2.110
CapitaLand Commercial Trust	5.40	0.094	1.740
Suntec Real Estate Investment Trust	5.36	0.100	1.875
Keppel DC REIT	5.32	0.068	1.280
CapitaLand Mall Trust	5.21	0.111	2.140
Keppel REIT	5.06	0.060	1.175
Ascendas India Trust	4.84	0.056	1.165
Parkway Life Real Estate Investment Trust	4.71	0.127	2.700
High	8.42		
Low	4.71		
Simple Average	6.47		
First REIT	6.37	0.0854 ⁽²⁾	1.340

Source: Bloomberg and financial statements.

Notes:

1. The latest practicable date is 23 August 2017
2. Based on the pro forma DPU as at 31 December 2016.

From the table above, we noted the following:

- (a) The distribution yields of the Singapore REITs range between 4.7% and 8.4%;
- (b) The pro forma distribution yield of First REIT at 6.4% is within the range but below the simple average of 6.45% yield of the Singapore REITs. In addition, we also note that the pro forma distribution yield of First REIT is higher than the distribution yield of Parkway Life REIT of 4.7%, being the closest comparable to First REIT in terms of property segment.

Based on the above, the Buton Total Consideration does not appear to be unreasonable.

5.3 Analysis on the Buton Master Leases

5.3.1 Rationale for the Buton Master Leases

The Manager's rationale for the Buton Master Leases is set out in **Section 3** of the Circular. We reproduce below extracts relevant to the Buton Master Leases:

“Increased income stability of First REIT through the Buton Master Leases and an increase in First REIT's 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 Income¹ 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 are between 10 to 15 years. After the completion of the Buton Acquisition, First REIT will benefit from the increase in the Enlarged Portfolio's 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.”

5.3.2 Analysis of the impact of the Buton Master Leases on the property yield and the weighted average years to lease expiry of First REIT

The base property yield^{2,3} of the Buton Master Leases is 10.0% based on the Buton Total Consideration of approximately S\$28.50 million in the Property CSPA.

When compared against the base property yield (computed on a similar basis) of properties in the Existing Portfolio, we note that the base property yield of the Buton Master Leases of 10.0% is:

- i) within the range of base property yields of between 7.8% and 15.6% but below the average of 10.7% (less favourable) of all properties in the Existing Portfolio;
- ii) within the range of base property yields of between 9.3% and 15.6% but below the average of 11.3% (less favourable) of the Indonesian properties in the Existing Portfolio.

¹ “Gross Rental Income” refers to the contracted rent under the master lease agreements in relation to the Property and the portfolio of properties currently held by First REIT, which comprises base rent and variable rent (where applicable).

² Base property yield is calculated based on the initial base rent divided by the purchase consideration for the property

³ Exclude the current yield and the current base yield of Siloam Hospital Surabaya (the “New SHS”) which is currently under development. First REIT will acquire the New SHS upon completion of the development.

However, we note that the base property yields of the properties in the Existing Portfolio would have taken into account the then prevailing economic and market conditions. In particular, we note that the current yields of the Indonesian properties have since come down as their appraised values have significantly increased.

When compared against the current base yields^{1,2} of properties in the Existing Portfolio, we note that the base property yield of the Buton Master Leases of 10.0% is:

- i) within the range of the current base yields of between 7.8% and 11.0% and above the average of 8.9% (more favourable) of all properties in the Existing Portfolio;
- ii) equivalent to the upper range of the current base yields of 10.0% (more favourable) of the Indonesian properties in the Existing Portfolio.

When compared against the current yield³ of properties in the Existing Portfolio, we note that the base property yield of the Buton Master Leases of 10.0% is:

- i) within the range of the current yields of between 7.9% and 11.0% and above the average of 9.2% (more favourable) of all properties in the Existing Portfolio;
- ii) within the range of the current yields of between 7.9% and 10.7% and above the average of 8.8% (more favourable) of the Indonesian properties in the Existing Portfolio.

Further, we note the adjustment features in the Buton Master Leases such as the adjustments to the base rent and the variable rent component can provide potential further upside to the total rent and in turn increase the property yield of the Buton Master Leases.

We note that there are similar adjustment features in the master lease agreements for the Indonesia properties in the Existing Portfolio. The Sponsor or its affiliates, which are the lessees for the Buton Master Leases, are also the master lessees for the Indonesia properties in the Existing Portfolio.

The Buton Master Leases are for a period of 15 years (with the option to renew for a further term of 15 years) and will provide strong underpinning to property yields and stability in rental income for First REIT for the next 15 to 30 years. With the Buton Master Leases in place, First REIT will benefit from the increase in its weighted average years to lease expiry from approximately 10.0 years from that of the Existing Portfolio as at 31 December 2016 to approximately 10.3 years for its Enlarged Portfolio after completion of the Buton Acquisition.

5.3.3 Comparison of the key terms in the Buton Master Leases

We note that while there are many precedents for such master lease agreements of properties owned by SGX-ST listed REITs (for example, Ascendas REIT, CapitaCommercial Trust, CDL Hospitality Trust, Frasers Commercial Trust), they are mostly in other property segment, such as the commercial and retail property segments. As such, most of these master lease agreements have their own unique features (such as rent-free period, fixed rent adjustments, performance-based variable rents, etc), which makes it difficult for comparisons to be made to them.

1 Excluding the current yield and the current base yield of the New SHS which is currently under development. First REIT will acquire the New SHS upon completion of the development.

2 Current base yield is calculated based on the current base rent divided by the latest appraised value of the property as at 31 December 2016.

3 Current yield is calculated based on the total (base and variable) current rent divided by the latest appraised value of the property as at 31 December 2016.

For our purpose, we made a comparison of the principal terms of the SHBN Master Lease and LPB Master Lease to the master lease agreements for properties used for healthcare-related purposes, set out in the table below:

Companies / REIT	Return on base rent ⁽¹⁾	Annual adjustment to base rent	Variable rent
Buton Master Leases			
SHBN Master Lease	10.0% ⁽²⁾	<p>Payable after the fifth year of lease based on:</p> <p>Base rent x (2 x CPI⁽⁶⁾ % increase)</p> <p>Subject to floor of 0% and cap of 2%.</p> <p>Total base rent increment from the sixth to the tenth year is capped at 5% and the same cap applies for years eleven to fifteen</p>	<p>Payable quarterly in advance from the start of sixth year of lease based on fixed exchange rate of S\$1 = Rp.9,600 and based on:</p> <ol style="list-style-type: none"> the percentage growth in gross operating revenue in the preceding financial year compared to the year before ("GRG%"); and the surplus of gross operating revenue of the preceding financial year over the year before ("GOR surplus") <ol style="list-style-type: none"> If $5\% \leq \text{GRG}\% < 15\%$, Equivalent to 0.75% of GOR surplus If $15\% \leq \text{GRG}\% < 30\%$, Equivalent to 1.25% of GOR surplus If $30\% \leq \text{GRG}\%$, Equivalent to 2.0% of GOR surplus
LPB Master Lease	10.0% ⁽³⁾	<p>Payable after the fifth year of lease based on:</p> <p>Base rent x (2 x CPI % increase)</p> <p>Subject to floor of 0% and cap of 2%.</p> <p>Total base rent increment from the sixth to the tenth year is capped at 5% and the same cap applies for years eleven to fifteen</p>	None
Healthcare-related			
Parkway Life REIT (Singapore portfolio)	3.9%	None	<p>1st year of lease: Higher of 3.8% of the adjusted hospital revenue for the present financial year or S\$15.0 million.</p> <p>2nd year of lease onwards: Equivalent to 3.8% of the adjusted hospital revenue for the present financial year.</p> <p>Provided that total rent payable (base + variable) shall not be lower than:</p> <p>Total rent for preceding year x $[1 + (\text{CPI} + 1\%)]$, where if CPI is negative, it is deemed to be zero.</p>

Companies / REIT	Return on base rent ⁽¹⁾	Annual adjustment to base rent	Variable rent
Indonesia properties in the AI – A'qar Healthcare REIT ⁽⁴⁾	7.2% ⁽⁵⁾	None	<p>Rental revision every three (3) full financial year throughout the contractual term up to a maximum of fifteen (15) years.</p> <p>The review of yearly rental amount for the next three(3) financial years shall be calculated based on the following method:</p> <p>1st year of every review: (10-year Malaysian Government Securities +238 basis points) x market value of the properties at the point of review and subject to a minimum rental of RM33.0 million per annum and a maximum 2% increment over the preceding year's rental amount.</p> <p>2nd and 3rd year of every review: 2% increment over the preceding year's rental amount.</p>
Singapore properties of First REIT that are leased to third parties	7.8%	<p>Base rent x (2 x CPI% increase)</p> <p>Subject to floor of 0% and cap of 2%</p>	None
Existing Indonesia properties of First REIT	9.3% to 15.6%	<p>Payable from the fourth year of lease based on:</p> <p>Base rent x (2 x CPI % increase)</p> <p>Subject to floor of 0% and cap of 2%.</p>	<p>A. The variable rent of the existing Indonesia properties of First REIT which is payable quarterly in advance from the sixth year of lease, including:</p> <p>(1) Siloam Hospitals Labuan Bajo using fixed exchange rate of S\$1 = Rp.9,400, based on</p> <p>1. GRG% and</p> <p>2. OR surplus</p> <p>(a) If $5\% \leq \text{GRG}\% < 15\%$, Equivalent to 0.75% of GOR surplus</p> <p>(b) If $15\% \leq \text{GRG}\% < 30\%$, Equivalent to 1.25% of GOR surplus</p> <p>(c) If $30\% \leq \text{GRG}\%$, Equivalent to 2.0% of GOR surplus</p>

Companies / REIT	Return on base rent ⁽¹⁾	Annual adjustment to base rent	Variable rent
			<p>B. The variable rent of the existing Indonesia properties of First REIT which is payable quarterly in advance from the fourth year of lease, including:</p> <p>(1) Siloam Hospitals Kupang and Lippo Plaza Kupang using fixed exchange rate of S\$1 = Rp.9,800;</p> <p>(2) Siloam Sriwijaya using fixed exchange rate of S\$1 = Rp.9,400;</p> <p>(3) Siloam Hospitals Purwakarta using fixed exchange rate of S\$1 = Rp.9,500;</p> <p>(4) Siloam Hospitals Bali using fixed exchange rate of S\$1 = Rp.7,800;</p> <p>(5) Siloam Hospitals TB Simatupang using fixed exchange rate of S\$1 = Rp.7,800;</p> <p>(6) Siloam Hospitals Manado and Hotel Aryaduta Manado using fixed exchange rate of S\$1 = Rp.7,000; and</p> <p>(7) Siloam Hospitals Makassar using fixed exchange rate of S\$1 = Rp.7,000, are based on:</p> <p>1. GRG% and</p> <p>2. GOR surplus</p> <p>(a) If $5\% \leq \text{GRG\%} < 15\%$, Equivalent to 0.75% of GOR surplus</p> <p>(b) If $15\% \leq \text{GRG\%} < 30\%$, Equivalent to 1.25% of GOR surplus</p> <p>(c) If $30\% \leq \text{GRG\%}$, Equivalent to 2.0% of GOR surplus</p> <p>C. The variable rent of the existing Indonesia properties of First REIT which is payable quarterly in advance from the second year of lease, including:</p> <p>(1) Siloam Hospitals Lippo Cikarang using fixed exchange rate of S\$1 = Rp.6,600;</p>

Companies / REIT	Return on base rent ⁽¹⁾	Annual adjustment to base rent	Variable rent
			<p>(2) Mochtar Riady Comprehensive Cancer Centre using fixed exchange rate of S\$1 = Rp.6,600;</p> <p>(3) Imperial Aryaduta Hotel & Country Club using fixed exchange rate of S\$1 = Rp.5,623.5;</p> <p>(4) Siloam Hospital Surabaya using fixed exchange rate of S\$1 = Rp.5,623.5;</p> <p>(5) Siloam Hospitals Kebon Jeruk using fixed exchange rate of S\$1 = Rp.5,623.5; and</p> <p>(6) Siloam Hospitals Lippo Village using fixed exchange rate of S\$1 = Rp.5,623.5, are based on:</p> <p>1. GRG% and</p> <p>2. GOR surplus</p> <p>(a) If $5\% \leq \text{GRG}\% < 15\%$, Equivalent to 0.75% of GOR surplus</p> <p>(b) If $15\% \leq \text{GRG}\% < 30\%$, Equivalent to 1.25% of GOR surplus</p> <p>(c) If $30\% \leq \text{GRG}\%$, Equivalent to 2.0% of GOR surplus</p>

Source: Extracted from the prospectus, company website or latest available annual report, corporate presentations of the relevant REITs.

Notes:

- (1) Return on base rent = initial base rent / cost of investment
- (2) Based on the Buton Total Consideration and the SHBN Base Rent of Rp. 15.36 billion (based on S\$1.60 million at the agreed exchange rate of S\$1.00 to Rp. 9,600. In the event there is a change of Indonesian Rupiah / Singapore Dollar exchange rate, the SHBN Base Rent shall be adjusted accordingly based on the 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 (fourteen) days prior to the date of the invoice 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.
- (3) Based on the Buton Total Consideration and the LPB Base Rent of Rp. 11.92 billion (based on S\$1.24 million at the agreed exchange rate of S\$1.00 to Rp. 9,600. In the event there is a change of Indonesian Rupiah / Singapore Dollar exchange rate, the LPB Base Rent shall be adjusted accordingly based on the 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 (fourteen) days prior to the date of the invoice 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.
- (4) Listed on Bursa Malaysia.
- (5) Using minimum rental of RM 33.0 million/annum as the base rent to estimate the return on base rent.
- (6) CPI refers to the consumer price index of Singapore for the preceding calendar year.

In our comparison of the key terms of the SHBN Master Lease and LPB Master Lease, we note the following:

- the return on base rent of 10.0% for SHBN Master Lease and LPB Master Lease compares favourably to the return on base rent of 3.9% for the master leases of Parkway Life REIT, 7.2% for the Indonesia properties of Al A'qar REIT, and 7.8% for the Singapore properties of the Existing Portfolio;
- the return on base rent of 10.0% for SHBN Master Lease and LPB Master Lease is within range of between 9.3% and 15.6% of the Indonesia properties of the Existing Portfolio, computed on a similar basis because the purchase consideration would have taken into account the prevailing economic and market conditions. We note that the current base yields of the Indonesian properties in the Existing Portfolio (computed based on the current base rent and the latest appraised value) have since decreased as the appraised values of these Indonesian properties have increased significantly;
- there are no annual adjustment features to the base rent in the master lease agreements of Parkway Life REIT and Al A'qar REIT. Both the Singapore properties and existing Indonesian properties of First REIT has the same adjustment to base rent as the SHBN Master Lease and LPB Master Lease;
- the variable rent for the SHBN Master Lease and LPB Master Lease is up to 2.0% of the surplus in the audited gross operating revenue (depending on the year-on-year growth of the gross operating revenue). In comparison, the variable rent for the master leases of Parkway Life REIT is fixed at 3.8% of the adjusted hospital revenue, while the gross lease rental for Al A'qar REIT is approximately 7.2% of the purchase consideration. The Singapore properties of First REIT do not have any variable rent component; and
- The variable rent of SHBN Master Lease and LPB Master Lease will only be payable from the start of the sixth year onwards as compare to the variable rent structure for:
 - Siloam Hospitals Kupang and Lippo Plaza Kupang, Siloam Sriwijaya, Siloam Hospital Purwakarta, Siloam Hospital Bali, Siloam Hospital TB Simatupang, Siloam Hospitals Manado and Hotel Aryaduta Manado and Siloam Hospitals Makassar were structured to be payable from fourth year onwards;
 - Siloam Hospitals Labuan Bajo was also structured to be payable from sixth year onwards; and
 - the remaining Indonesia properties of the Existing Portfolio were structured to be payable from second year onwards.

We understand that this is to allow conservation of cash flow thereby enabling the tenant to step up and enhance its operations to an optimal level.

5.3.4 Other commercial terms of the Buton Master Leases

i) Assignment/Subletting

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 Sponsor 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 Sponsor and/or the Siloam Lessee upon the occurrence of any event of default committed by the assignee under the SHBN Master Lease.

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 LPB Master Lessee, 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 LPB Master Lessee upon the occurrence of any event of default committed by the assignee under the LPB Master Lease.

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

The principal terms of the SHBN Master Lease and the LPB Master Lease are set out in **Section 2.12** of the Circular.

ii) Maintenance and other operating expenses of the Property

SHBN

The Siloam Lessee (in relation to the hospital component of SHBN) and the Sponsor (in relation to the ancillary healthcare-related premises 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 Lease¹.

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

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 levies relating to LPB and the BOT Agreement;
- (b) costs and expenses for the operation, maintenance and management of LPB, and landscaping costs; and
- (c) all capital expenses relating to LPB for the first two years of the LPB Master Lease².

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

iii) Insurance of the Property

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;

¹ 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.

² 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.

- (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 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 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.

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:

- (a) an insurance policy over all of the LPB Master Lessee' 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 IndoCo and the LPB Master Lessees to its full insurable amount as assessed by 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. 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 IndoCo and the LPB Master Lessees against claims for personal injury, death or property damage or loss, arising out of all operations of the LPB Master Lessees and its permitted occupiers in LPB; and
- (d) an insurance policy covering all of the LPB Master Lessees' risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the LPB Master Lessees 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.

5.3.5 Other Considerations relating to the Buton Master Leases

We advise that you highlight the following factor to the minority Unitholders, which should be considered, together with the other comments and issues raised in this Letter and the contents of the Circular.

i) Foreign Exchange Risk

We note that due to changes in the Indonesian Currency Law (specifically Law 7/2011 and BI 17/2015, details of which are set out in **Section 2.12.8** of the Circular), the total rent

(comprising the base rent and the variable Rent) of SHBN and the base rent of LPB shall be paid in Indonesian Rupiah, based on the agreed exchange rate of S\$1.00 to Rp.9,600, which is fixed for the entire lease term of the SHBN Master Lease Agreement and LPB Master Lease Agreement.

Although the base rent will be received in Indonesian Rupiah, we note that there is an adjustment mechanism provided for in the SHBN Master Lease Agreement and LPB Master Lease Agreement to adjust the base rent for any changes in the Indonesian Rupiah / Singapore Dollar exchange rate, to ensure that the Base Rent to be received is fixed at S\$1.60 million and S\$1.24 million respectively, regardless of changes to the Indonesian Rupiah / Singapore Dollar exchange rate.

We note that for SHBN Master Lease, there is a similar adjustment mechanism in place for the computation of the variable rent to adjust for changes to the Indonesian Rupiah / Singapore Dollar exchange rate.

Notwithstanding the above adjustment mechanism for the base rent and variable rent of SHBN, we further note that the impact of future exchange rate fluctuations on First REIT's liabilities and property expenses cannot be accurately predicted and the Indonesian Rupiah may not be readily convertible or exchangeable or may be subject to exchange controls. There is also the risk that movements in the Indonesian Rupiah / Singapore dollar exchange rate may adversely affect repayments or repatriation of funds from Indonesia to Singapore.

ii) Benefits from the Sponsor's property management and operating expertise and the use of the established "Siloam" brand for hospitals and "Lippo" brand for malls

The Sponsor is the master lessee for the SHBN and LPB. The Sponsor is an internationally recognised corporation and is one of the largest broad-based property companies in Indonesia listed on both the Jakarta Stock Exchange and the Surabaya Stock Exchange. The Sponsor has a large property portfolio comprising townships and residential developments, commercial and retail development properties, healthcare, infrastructure and hospitality properties with a recognised track record in the planning and development of large property, infrastructure and township projects as well as ongoing maintenance, upkeep and renovation of properties.

Siloam brand for hospitals

The Sponsor ventured into the healthcare business in 1995 when it established and developed Siloam Hospitals Lippo Karawaci. Since then, it had developed and acquired several hospitals, such as Siloam Hospitals Lippo Cikarang, Siloam Hospitals Surabaya, Siloam Hospitals West Jakarta under it "Siloam" brand of hospitals and built up its expertise in managing healthcare businesses including the Indonesian properties of the Existing Portfolio.

Upon entering into the SHBN Master Lease, SHBN will be able to benefit from the Sponsor's expertise in property management and operating expertise as well as being managed under the "Siloam" brands, which is a well-known and established brand name for hospitals in Indonesia.

Lippo brand for malls

The Sponsor is the largest mall owner and operator in Indonesia, with a portfolio of 67 shopping malls strategically located in 34 major cities comprising more than 12,000 retailers occupying 2.3 million square metres of retail space. Lippo Malls have a footfall of more than 336 million customers annually, with anchor tenants such as Matahari Department Store, Hypermart, Timezone, Times Bookstore and Cinemaxx.

Upon entering into the LPB Master Lease, LPB will be able to benefit from the Sponsor's expertise in property management and operating expertise as well as being managed under the "Lippo" brands, which is a well-known and established brand name for malls in Indonesia.

6 SUMMARY OF ANALYSIS

In arriving at our recommendation in respect of the IPT Transactions, we have taken into account the views and representations by the Directors and management of the Manager and the factors set out in Section 5 above. The key considerations are summarised below. Minority Unitholders should be advised to read the following in conjunction with, and in the context of, the full text of this Letter and the Circular.

The Buton Acquisition

- a. the Manager's rationale for the Buton Acquisition, taken in the entire context of the IPT Transactions, appears to be based on sound commercial grounds;
- b. we note that the Buton Total Consideration is approximately 2.40% below and equal to the appraised values as determined by Alberth and Renggannis respectively, and 1.21% below the average of the two independent valuations;
- c. we note the Deed of Indemnity entered into by the Trustee whereby the Trustee will be indemnified by PT WJP, subject to certain conditions for all liabilities or damages suffered by the Trustee arising from the Property CSPA;
- d. we note the significant growth potential and positive outlook for the healthcare services market in Bau Bau as noted in the report titled "Independent Market Research on Healthcare Services Market in Bau Bau Indonesia" by Frost & Sullivan;
- e. we note that the pro forma DPU after the Buton Acquisition will increase from 8.47 cents to 8.54 cents for FY2016, and the pro forma DPU after the Buton Acquisition will increase from 4.28 cents to 4.31 cents for 6M2017. **Based on this, we note that the IPT Transactions, taken as a whole, will result in an improvement in the DPU for Unitholders of First REIT;**
- f. we also note the following changes to the pro forma financial ratios after the Buton Acquisition, (i) the decrease in the pro forma NAV per Unit from 100.79 cents to 100.75 cents as at 31 December 2016 and from 100.41 cents to 100.37 cents as at 30 June 2017 and (ii) the increase in the pro forma total capitalisation from S\$1,252.2 million to S\$1,283.3 million as at 31 December 2016 and from S\$1,254.4 million to S\$1,285.5 million as at 30 June 2017;
- g. we note that the pro forma distribution yield of First REIT at 6.4% is within range but below the simple average of 6.5% of its listed comparable companies. In addition, we also note that the pro forma distribution yield of First REIT is higher than the distribution yield of Parkway Life REIT of 4.7%, being the closest comparable to First REIT in terms of property segment. Based on this, the Buton Total Consideration does not appear to be unreasonable;

The Buton Master Leases

- h. The Manager's rationale for the Buton Master Leases appears to be based on sound commercial grounds;
- i. The base property yield of the Buton Master Leases of 10.0% is within the range of the base property yields (computed on a similar basis) of between 7.8% and 15.6% but below the average of 10.7% (less favourable) of all the properties in the Existing Portfolio. It is within the range of the base property yields (computed on a similar basis) of between 9.3% and 15.6% but below the average of 11.3% (less favourable) of the Indonesian properties in the Existing Portfolio.

However, we note that the base property yield of the properties in the Existing Portfolio would have taken into account the then prevailing economic and market conditions. In particular, we note that the current yields of the Indonesian properties have since come down as their appraised values have significantly increased.

- j. the base property yield of the Buton Master Leases at 10.0% is within the range of the current base yields of between 7.8% and 11.0% and above the average of 8.9% (more favourable) of all the properties in the Existing Portfolio and equivalent to the upper range of the current base yields of 10.0% (more favourable) of the Indonesian properties in the Existing Portfolio;
- k. the base property yield of the Buton Master Leases at 10.0% is within the range of the current yields of between 9.0% and 11.0% and above the average of 9.2% (more favourable) of all the properties in the Existing Portfolio and within the range of the current yields of between 7.9% and 10.7% and above the average of 8.8% (more favourable) of the Indonesian properties in the Existing Portfolio;
- l. the adjustment features to the base rent and the variable rent component under the terms of the Buton Master Leases will provide potential further upside to the total rent and property yield and will also allow First REIT to benefit from the growth of the healthcare industry in Bau Bau, Indonesia;
- m. with the Buton Master Lease in place, First REIT will benefit from the increase in its weighted average years to lease expiry from approximately 10.0 years from that of the Existing Portfolio as at 31 December 2016 to approximately 10.3 years for its Enlarged Portfolio after completion of the IPT Transactions;
- n. the return on base rent of 10.0% for the Buton Master Leases compares favourably to the return on base rent of 3.9% for the master leases of Parkway Life REIT, 7.2% for the Indonesia properties of Al A'qar REIT, and 7.8% for the Singapore properties of the Existing Portfolio. However, we also note that the master leases of Parkway Life REIT appear to have a higher variable rent component which is payable from the first year of lease. If we include the variable rent of S\$15.0 million received in the first year, the return on total rent (base rent plus variable rent) for Parkway Life REIT for the first year is approximately 6.1%, which is still less favourable compared to the return on base rent of 10.0% for the Buton Master Leases;
- o. there are no annual adjustment features to the base rent in the master lease agreements of Parkway Life REIT and Al A'qar REIT. Both the Singapore and Indonesian properties of the Existing Portfolio and the Buton Master Leases provide for potential upward adjustment to the base rent, based on two times the increase in the consumer price index of Singapore for the preceding calendar year, subject to a floor of 0% and cap of 2.0%;
- p. the variable rent for the SHBN Master Lease is up to 2.0% of the surplus in the audited gross operating revenue (depending on the year-on-year growth of the gross operating revenue). In comparison, the variable rent for the master leases of Parkway Life REIT is fixed at 3.8% of the adjusted hospital revenue, while the gross lease rental for Al A'qar REIT is approximately 7.2% of the purchase consideration. The Singapore properties in the Existing Portfolio do not have any variable rent component;

The variable rent of SHBN Master Lease will only be payable from the start of the sixth year onwards as compare to the variable rent structure for:

- Siloam Hospitals Kupang and Lippo Plaza Kupang, Siloam Sriwijaya, Siloam Hospital Purwakarta, Siloam Hospital Bali, Siloam Hospital TB Simatupang, Siloam Hospitals Manado and Hotel Aryaduta Manado and Siloam Hospitals Makassar were structured to be payable from fourth year onwards;
- Siloam Hospitals Labuan Bajo was also structured to be payable from sixth year onwards; and
- the remaining Indonesia properties of the existing portfolio were structured to be payable from second year onwards.

We understand that this is to allow conservation of cash flow thereby enabling the tenant to step up and enhance its operations to an optimal level;

- q. under the terms of the Buton Master Leases, the Master Lessees shall not sub-let SHBN and LPB without the prior written consent of the IndoCo (such consent not to be unreasonably

withheld) and all subletting shall be subject to such terms and conditions which the Indonesian Company may impose. The sub-lessee must also be of good repute and sound financial standing;

- r. the Siloam Lessee and the LPB Master Lessee will be responsible for all outgoings including, but not limited to, expenses relating to the internal and external property repairs and maintenance, landscaping, utility costs, property related taxes; and all capital expenses relating to SHBN and LPB respectively for the first two years of the Buton Master Leases. Accordingly, First REIT will not be affected by any cost escalation in Indonesia of maintenance and operation expenses in relation to the SHBN and LPB;
- s. at all times during the term of the Buton Master Leases and during any period of holding over, the Siloam Lessee and LPB Master Lessee shall at its cost and expense, take out and keep in force relevant insurance policies;
- t. although the base rent of SHBN and LPB will be received in Indonesian Rupiah, we note that there is an adjustment mechanism provided for in the Buton Master Lease Agreements to adjust the base rent for any changes in the Indonesian Rupiah / Singapore Dollar exchange rate, to ensure that the base rent to be received is fixed at S\$2.84 million, regardless of changes to the Indonesian Rupiah / Singapore Dollar exchange rate;
- u. we note that there is a similar adjustment mechanism in place for the computation of the variable rent of SHBN to adjust for changes to the Indonesian Rupiah / Singapore Dollar exchange rate;
- v. Notwithstanding the above adjustment mechanism for the base rent and variable rent of SHBN and the above adjustment mechanism for the base rent of LPB, we further note that the impact of future exchange rate fluctuations on First REIT's liabilities and property expenses cannot be accurately predicted and the Indonesian Rupiah may not be readily convertible or exchangeable or may be subject to exchange controls. There is also the risk that movements in the Indonesian Rupiah / Singapore dollar exchange rate may adversely affect repayments or repatriation of funds from Indonesia to Singapore; and
- w. First REIT will be able to benefit from the Lessees' property management and operating expertise and the use of the established "Siloam" brand names for hospitals.

7 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date and based on the factors set out in Section 6 above, and subject to the qualifications and assumptions made herein, we are of the view that the IPT Transactions are based on normal commercial terms and are not prejudicial to the interests of First REIT and its minority Unitholders.

Accordingly, we are of the view that the Independent Directors should recommend that minority Unitholders vote in favour of the IPT Transactions to be proposed at the EGM.

In performing our evaluation and arriving at these conclusions, we wish to emphasise that the opinion set forth herein is based solely on publicly available information and information provided by the Directors and the management of the Manager and therefore does not reflect any projections or future financial performance of First REIT after the completion of the IPT Transactions and are based on the economic and market conditions prevailing as of the date of this Letter. Our advice is strictly confined to our views on the IPT Transactions.

This Letter (for inclusion in the Circular) is addressed to the Independent Directors and the Trustee for their benefit, in connection with and for the purpose of their consideration of the IPT Transactions. The recommendation made by the Independent Directors to the Unitholders in relation to the IPT Transactions remains the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not imply by implication to any other matter.

Yours faithfully
For and on behalf of
STIRLING COLEMAN CAPITAL LIMITED

ANG LIAN KIAT
DIRECTOR

YAP YEONG KEEN
DIRECTOR

SINGAPORE TAX CONSIDERATIONS

The following summary of certain Singapore income tax considerations to Unitholders in respect of the Buton Acquisition is based upon tax laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary is not a tax advice and does not purport to be a comprehensive description of all the considerations that may be relevant to Unitholders. Unitholders should consult their own tax advisers on the tax implications that may apply to their own individual circumstances.

Income derived from the Property

The rental income and other related income earned from the Property will be received in Singapore by Buton1 and Buton2 in a combination of some or all of the following forms:

- (i) dividend income;
- (ii) interest income; and
- (iii) proceeds from repayment of shareholder's loans.

The dividend income received in Singapore by Buton1 and Buton2 from the IndoCo (the “**Foreign Dividend Income**”) will be exempt from tax under Section 13(8) of the Income Tax Act, Chapter 134 of Singapore (the “**Income Tax Act**”) provided that Buton1 and Buton2 are tax residents of Singapore and the following conditions are met:

- (i) in the year the Foreign Dividend Income is received in Singapore, the headline corporate tax rate of the jurisdiction from which it is received is at least 15.0%;
- (ii) the Foreign Dividend Income has been subjected to tax in the jurisdiction from which it is received; and
- (iii) the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to Buton1 and Buton2.

Buton1 will seek a confirmation from the Inland Revenue Authority of Singapore (“**IRAS**”) that the IRAS is satisfied that the interest income Buton1 will receive in Singapore from the IndoCo meets the qualifying conditions for the tax exemption granted to Singapore real estate investment trusts under Section 13(12) of the Income Tax Act.

This tax exemption, if it is confirmed by the IRAS, will apply to interest income received in Singapore from the IndoCo so long as Buton1 continues to beneficially own, directly or indirectly, the relevant interest in the Property as at the date the interest income is received in Singapore and all the qualifying conditions for the tax exemption are met.

Cash that cannot be repatriated by the IndoCo in the form of dividends may be used by the IndoCo to repay the principal amount of shareholder's loans. The proceeds from the repayment of shareholder's loans received in Singapore by Buton1 are capital receipts and hence not subject to Singapore income tax.

Buton1 will also receive dividend from Buton2. Provided that Buton2 is a resident of Singapore for income tax purposes, the dividends received by Buton1 will be one-tier (tax-exempt) dividends and hence exempt from Singapore income tax in the hands of Buton1.

First REIT will in turn receive dividends or proceeds from the redemption (at cost) of preference shares or a combination of both from Buton1. Provided that Buton1 is a resident of Singapore for income tax purposes, the dividends received by First REIT will be one-tier (tax-exempt) dividends and hence exempt from Singapore income tax in the hands of First REIT. The proceeds from redemption (at cost) of preference shares received by First REIT are capital receipts and not subject to Singapore income tax.

Distributions to Unitholders

Distributions made by First REIT out of the income or cashflow generated from the Property may comprise either or both of the following two components:

- (i) tax-exempt income component (“**Tax-Exempt Income Distributions**”); and
- (ii) capital component (“**Capital Distributions**”).

Tax-Exempt Income Distributions refer to distributions made by First REIT out of its tax-exempt income (which comprises mainly the one-tier (tax-exempt) dividends that it will receive from Buton1). Such distributions are exempt from Singapore income tax in the hands of Unitholders. No tax will be deducted at source on such distributions.

For this purpose, the amount of Tax-Exempt Income Distributions that First REIT can distribute for a distribution period will be to the extent of the amount of tax-exempt income that it has received or is entitled to receive in that distribution period. Any distribution made for a distribution period out of profits or income which First REIT is entitled to receive as its own tax-exempt income after the end of that distribution period will be treated as a capital distribution and the tax treatment described in the next paragraph on “Capital Distributions” will apply. The amount of such tax-exempt income that is subsequently received may be used to frank tax-exempt income distributions for subsequent distribution periods.

Capital Distributions refer, *inter alia*, to distributions made by First REIT out of proceeds received from the redemption of preference shares. Unitholders will not be subject to Singapore income tax on such distributions. These distributions are treated as returns of capital for Singapore income tax purposes and the amount of Capital Distributions will be applied to reduce the cost of Units held by Unitholders. Accordingly, the reduced cost base will be used for the purpose of calculating the amount of taxable trading gains for those Unitholders who hold Units as trading or business assets and are liable to Singapore income tax on gains arising from the disposal of Units. If the amount of Capital Distributions exceeds the cost or the reduced cost, as the case may be, of Units, the excess will be subject to tax as trading income of such Unitholders.

INDEPENDENT INDONESIAN TAXATION REPORT



Taxand

Jakarta, August 21, 2017

Letter No. TAJ-174178

The Board of Directors
 Bowsprit Capital Corporation Limited
 As Manager (the "Manager") of First Real Estate Investment Trust
 50 Collyer Quay
 #06-01 OUE Bayfront
 Singapore 049321

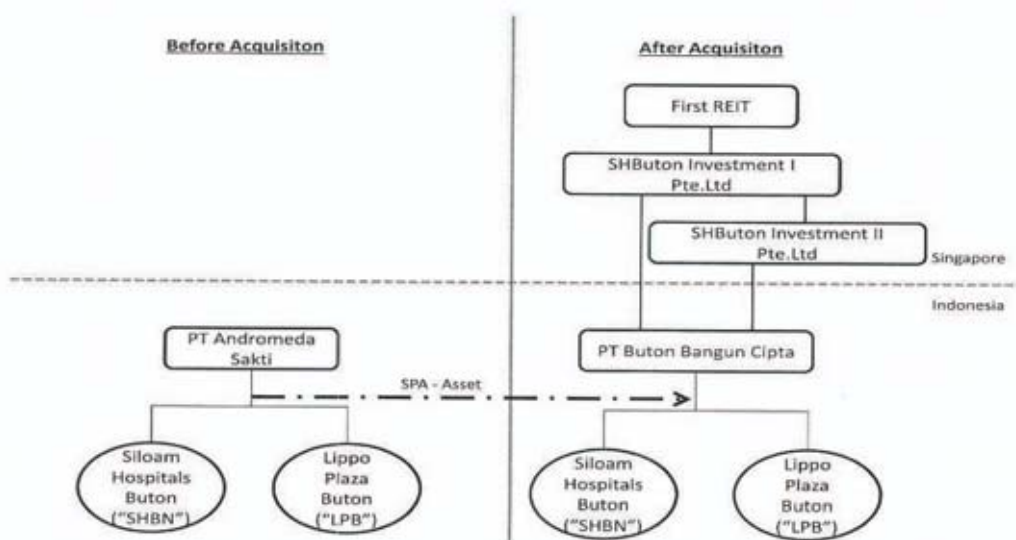
HSBC Institutional Trust Services (Singapore) Limited
 As Trustee of First Real Estate Investment Trust
 21 Collyer Quay
 #13-02 HSBC Building
 Singapore 049320

Dear Sirs/Madam,

Re: Tax Implications on the Acquisition of Siloam Hospitals Buton by First REIT

This letter has been prepared for First REIT, a real estate investment trust. The purpose of this letter is to provide a general overview of the Indonesian tax implications attributable to the transactions of First REIT ("REIT") in Indonesia.

The following is our tax opinion on the above matter:

Transaction Scheme :

PB Taxand

Menara Imperium, 27th Fl., Jl. H.R. Rasuna Said Kav. 1, Jakarta 12980, Indonesia
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Facts:

1. Siloam Hospitals Buton ("SHBN") and Lippo Plaza Buton ("LPB") (hereinafter referred to as "the Property") are owned by PT Andromeda Sakti (PT AS).
2. PT Buton Bangun Cipta (PT BBC) will acquire the Property through Sale and Purchase Agreement with PT AS.
3. It is a legal requirement for an Indonesian company to be owned by two shareholders (SHButon Investment I Pte. Ltd and SHButon Investment II Pte. Ltd).

SHButon Investment I Pte. Ltd will own 75% shares of PT BBC and SHButon Investment II Pte. Ltd will own 25% shares of PT BBC.

4. After the acquisition of SBHN, there will be a master lease agreement between PT BBC as Lessor and PT Lippo Karawaci Tbk (PT LK) & PT Bina Bahtera Sejati (PT BBS) as Lessee.
5. After the acquisition of LPB, there will be a master lease agreement between PT BBC as Lessor and PT AS as Lessee.
6. PT BBC will pay dividend, principal and interest on shareholder's loan.

Discussion:

A. Purchase of SHBN and LPB

▪ **PT BBC as the Buyer**

Property Title Acquisition Duty

The purchase of the Property from PT AS shall be subject to property title acquisition duty at the rate of five percent (5%) of whichever is higher between the purchase price and the tax object sale value (NJOP) as determined by the head of the local government. The property title acquisition duty shall be payable upon the signing of the Sale and Purchase Agreement by PT BBC and PT AS.



Value Added Tax (VAT)

PT BBC shall pay the VAT at the rate of ten percent (10%) on the purchase of the Property. The VAT charged by PT AS will be treated as VAT In, which can be used to offset the VAT Out from the rental income.

The VAT invoice issued by PT AS could be used as a prepaid VAT In if the VAT Invoice does fulfill the condition set out in the Article 9 paragraph (2b) of the VAT Law. Furthermore, a company that has not started its production yet, which means it has not delivered any taxable goods or services yet, may only use the VAT In related to capital goods.

Capital goods shall be tangible assets that have useful life of more than 1 (one) year and the initial purpose of which is not for sale, including expenses in connection with the acquisition of capital goods that is capitalized into the cost price of the capital goods. The provisions regarding capital goods that have more than one year of useful life refers to the laws and regulations on Income Tax, in which the expenses must be charged using depreciation in Income Tax calculation.

▪ **PT AS – as the Seller**

Article 4(2) Final Income Tax

PT AS has to pay the final income tax at a rate of two point five percent (2,5%) of gross value on the transfer of right to land and/or building. The gross value of transfer of right to land and/or building shall be:

- The value that was actually received, in the event that there is no “special relation” between PT AS and PT BBC, or
- The value that should be received based on the fair value or market value, in the event that PT AS is having a “special relation” with PT BBC.

Taxpayers are considered having “special relation” if they fulfill one of these conditions:

- Taxpayer owns capital participation directly or indirectly at least 25% (twenty five percent) upon another Taxpayer; the relationship between Taxpayers through ownership at least 25% (twenty five percent) upon two or more Taxpayers; or the relationship between two or more Taxpayers mentioned latter;

- Taxpayer controls other Taxpayer or two or more Taxpayers that are under the same control (through management or the use of technology) either directly or indirectly.

In case that there is a "special relation" between PT AS and PT BBC, we advise the company to appoint an independent asset appraisal to determine the market value of the property.

The tax shall be payable before the sales and purchase agreement is drawn up and signed. In case that PT AS receives any payment before the sales and purchase agreement is drawn up, the final income tax shall be payable upon receipt of some or all payments from PT BBC.

Such final income tax is calculated based on the amount of down payment, interest, levies, and other additional payment paid by the buyer related to the transfer of right to land and/or building.

The final income tax still needs to be reported in the Corporate Income Tax Return but it does not have to be combined with the other incomes that are not subject to final income tax in the calculation of PT AS' taxable income in the relevant tax year.

Value Added Tax (VAT)

PT AS must charge the ten percent (10%) VAT by issuing tax invoice on the sale of The Property. The said VAT can be treated as prepaid VAT In for PT BBC based on the VAT regulation as stated above.

B. Payment of Dividend to SHButon Investment I Pte. Ltd and/or SHButon Investment II Pte. Ltd

▪ PT BBC

Article 26 Income Tax

Indonesian tax laws generally require a twenty percent (20%) tax to be withheld upon the payment of dividend from an Indonesian taxpayer to an offshore taxpayer. Under the tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to ten percent (10%) or fifteen percent (15%) with the following conditions:

- Ten percent (10%) of the gross amount of the dividends if the recipient is a company which owns directly at least twenty five percent (25%) of the capital of the company paying the dividends;
- Fifteen percent (15%) of the gross amount of the dividends in all other cases.

Article 2 paragraph (2) of the Director General of Taxes Regulation No. PER-10/PJ/2017, regarding the procedures for the application of Double Taxation Avoidance Agreement, stipulates that the reduced withholding tax rate as set out on the Singapore-Indonesia tax treaty can be used if the conditions below ("Tax Treaty Relief Conditions") are fulfilled:

- (a.) the income recipient is not an Indonesian tax subject;
- (b.) the income recipient is an individual or an entity constituting as a resident tax subject of the tax treaty partner country or of the tax treaty partner jurisdiction;
- (c.) the non-resident taxpayer submits the DGT form which has fulfilled the administrative requirements and other certain requirements;
- (d.) there is no tax treaty abuse by the non-resident taxpayer; and
- (e.) the income recipient is the beneficial owner, as stipulated within the Tax Treaty.

In connection with point (c) of the above conditions, non – tax residents (SHButon Investment I Pte. Ltd and/or SHButon Investment II Pte. Ltd) are considered to have fulfilled the administrative requirements, if they are able to provide the PT BBC the original copy of its Certificate of Domicile (Form DGT-1), which must be:

- 1) in the form prescribed by the DGT (i.e. Form DGT-1 or Form DGT-2, whichever is applicable);
- 2) filled in correctly, completely and comprehensively by the non-resident taxpayers;
- 3) signed or given a mark equivalent to a signature by the non-resident taxpayers in accordance to the common practice in the tax treaty partner country or the tax treaty partner jurisdiction;
- 4) legalized by the signature or a mark equivalent to a signature of the competent tax authority in accordance to the common practice in the tax treaty partner country or the tax treaty partner jurisdiction;

- 5) used for the period as set within the DGT form; and
- 6) submitted by the resident tax withholder and/or collector at the same time as the relevant Monthly Income Tax Return, by no later than the due date for lodgment of the relevant monthly tax return when such income is subject to tax.

In connection with point (d) of the Tax Treaty Relief Conditions, non – tax residents (SHButon Investment I Pte. Ltd and/or SHButon Investment II Pte. Ltd) are considered to have not abused the tax treaty, if:

- 1) there is an economic substance in the establishment of the entity or the implementation of the transaction;
- 2) its legal form reflects the economic substance in the establishment of the entity or the implementation of the transaction;
- 3) it has business activity which is managed by its own management and the management has an independent discretion;
- 4) it has sufficient assets to conduct business other than the assets generating income from Indonesia;
- 5) it has sufficient and qualified employees in accordance with the business activities of the company; and
- 6) it has activities or active businesses other than only receiving income in the form of dividend, interest and/or royalty originating from Indonesia.

A company covered by the tax treaty is considered to be the beneficial owner as mentioned on point (e) of the Tax Treaty Relief Conditions above, if the corporate non-tax resident is not acting as an Agent, Nominee or Conduit which must fulfill the following provisions:

1. has control in the using of or benefiting from the funds, assets, or rights which will generate income from Indonesia;
2. not more than 50% of the income shall be used to fulfill obligations of other parties (other than employee remuneration, other common operating cost in carrying its business and dividend distribution);
3. bears the risks of its owned assets, capital or liabilities; and
4. has no written or unwritten obligations to partly or fully distribute its income received from Indonesia to other parties.



Taxand

Should all of the above conditions are fulfilled by SHButon Investment I Pte. Ltd and/or SHButon Investment II Pte. Ltd, then PT BBC as the Tax Withholder can implement the reduced tax rate based on the Singapore-Indonesia Tax Treaty.

Indonesian tax laws do not regulate when a dividend should be declared. Meanwhile, the time when dividends can be declared and remitted by PT BBC to SHButon Investment I Pte. Ltd and/or SHButon Investment II Pte. Ltd should be in accordance with the regulations of Indonesian General Accepted Accounting Principle ("GAAP").

Article 26 of the Income Tax Law stipulates that dividends become payable when the dividend distributions is declared or determined in the General Meeting of Shareholders of PT BBC. There is no need for PT BBC to obtain tax clearance in order to declare or remit dividends.

C. Lease Agreement

■ PT BBC as the Lessor

Income Tax

Any kind of rental income (including advance of rental payment, service charge, if any) received by PT BBC is subject to final income tax at the rate of ten percent (10%) as stipulated in Article 4 Paragraph (2) of the Income Tax Law.

Imposition of final income tax does not imply that the income from PT LK, PT BBS, and/or PT AS in the form of rental fee does not need to be reported in the Annual Corporate Income Tax Return (SPT PPh). The income shall be reported in the Annual Corporate Income Tax Return, but it shall not be combined with the other income, which are not subject to final tax in the calculation of the taxable income in the relevant tax year.

Value Added Tax on Rental of Land and/or Buildings

PT BBC must charge the VAT by issuing tax invoice on rental payment of land and/or building to lessee at the rate of ten percent (10%).

■ PT LK, PT BBS, and/or PT AS as the Lessee

Article 4(2) Final Income Tax

Any payments to PT BBC which are related to the rental payment of land and/or building will be subject to a final income tax at the rate of ten percent (10%) of the gross value of the land and/or building rental fee, including the service charge (if any).

Lessee must withhold the ten percent (10%) final income tax, issue the withholding tax slip to PT BBC, and pay the tax to the State Treasury.

Value Added Tax on the Rental of Land and/or Building

The VAT charged by PT BBC can be used as prepaid input VAT to offset the lessee's output VAT as long as the transaction of the lease of property is related to the transfer of taxable goods and/or services conducted by the lessee; and the related VAT Invoice fulfills the conditions set out in Article 9 paragraph (2b) of the VAT Law.

D. Payments Related to Shareholder's Loan

Loan The Repayment of Principal

The repayment of principal from the shareholder's loans will not be subject to any form of Indonesian tax.

Payment of Interest

Article 26 Income Tax

The Indonesian Income Tax Law generally requires a twenty percent (20%) tax to be withheld upon the payment of interest from an Indonesian taxpayer to an offshore taxpayer. Under the tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to ten percent (10%) on the payment of interest.

The reduced withholding tax rate of ten percent (10%) as set out on the Singapore-Indonesia tax treaty can be used for the payment of interest by PT BBC if the same conditions regulated in Article 2 paragraph (2) of the Director General of Taxes Regulation No. PER-10/PJ/2017 as mentioned in point B



Tax and

above are fulfilled by SHButon Investment I Pte. Ltd and/or SHButon Investment II Pte. Ltd

Article 26 of the Income Tax Law stipulates that income tax on interest become payable when the interest payment is due, based on the agreement or as paid by PT BBC (whichever occurs first).

There is no need for PT BBC to obtain tax clearance in order to remit interest.

Disclaimer

This opinion is furnished to the abovementioned addressees for their sole benefit in connection with the plan to acquire Siloam Hospitals Buton (SHBN) and Lippo Plaza Buton (LPB). Should this opinion be shown to any third party, then it is agreed that it is done on the basis that our opinion may not be relied upon by any other persons, companies or institutions. Moreover, there is a possibility that the interpretation of the tax laws and regulations on the transactions may give a different result with the tax authority.

We trust the above information is of assistance. Should you have any questions, please do not hesitate to contact us.

Sincerely yours,



Aristo Tjahyadi
Partner

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of First Real Estate Investment Trust ("**First REIT**") will be held at Pacific 3, Level 1, Pan Pacific Singapore, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Thursday, 21 September 2017, at 10.00 a.m. (the "**EGM**"), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION – THE BUTON ACQUISITION AND THE BUTON MASTER LEASES

That:

- (i) approval be and is hereby given for the proposed acquisition (the "**Buton Acquisition**") of Siloam Hospitals Buton ("**SHBN**") and Lippo Plaza Buton ("**LPB**", together with LPB, the "**Property**") by PT Buton Bangun Cipta (an indirect wholly-owned subsidiary of First REIT) ("**IndoCo**") from PT Andromeda Sakti (the "**Vendor**"), an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk (the "**Sponsor**"), based on the terms and conditions set out in the conditional sale and purchase agreement entered into between SHButon Investment I Pte. Ltd. ("**Buton1**") and the Vendor on 20 July 2017 and which is to be novated by Buton1 to IndoCo prior to completion of the Buton Acquisition, as well as for the payment of all fees and expenses relating to the Buton Acquisition;
- (ii) approval be and is hereby given for the grant of the following master leases over the Property (the "**Buton Master Leases**"):
 - (a) a master lease of SHBN to the Sponsor and PT Bina Bahtera Sejati (the "**Siloam Lessee**"), a wholly-owned subsidiary of PT Siloam Hospitals Tbk, which is in turn a subsidiary of the Sponsor (collectively, as master lessees of SHBN) (the "**SHBN Master Lease**"), based on the terms and conditions set out in the master lease agreement to be entered into between IndoCo (as master lessor of SHBN) and the Sponsor and the Siloam Lessee; and
 - (b) a master lease of LPB to the Vendor (as master lessees of LPB, the "**LPB Master Lessee**") (the "**LPB Master Lease**"), based on the terms and conditions set out in the master lease agreement to be entered into between the IndoCo (as master lessor of LPB) and the LPB Master Lessee; and
- (iii) Bowsprit Capital Corporation Limited, as the manager of First REIT (the "**Manager**"), any director of the Manager ("**Director**") and HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of First REIT (the "**Trustee**"), be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of First REIT to give effect to the Buton Acquisition and the Buton Master Leases.

BY ORDER OF THE BOARD

Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
(Company Registration No. 200607070D)

Victor Lai Kuan Loong
Company Secretary
Singapore
30 August 2017

Important Notice:

- (1) A unitholder of First REIT ("**Unitholder**") who is not a relevant intermediary (as defined below) and entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holding (expressed as a percentage of the whole) to be represented by each proxy.
- (2) A Unitholder who is a relevant intermediary entitled to attend and vote at the EGM is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (3) The instrument appointing a proxy or proxies (the “**Proxy Form**”) must be lodged at the Unit Registrar’s office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for the EGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder’s personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder’s proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee (or their agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder’s breach of warranty.

FIRST REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 October 2006 (as amended))
Managed by Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
(Company Registration No. 200607070D)

PROXY FORM EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Extraordinary General Meeting (please see Note 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy units in First Real Estate Investment Trust, this Circular is forwarded to them at the request of the CPF Approved Nominees and is sent **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**
Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representatives(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 30 August 2017.

I/We _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)

being a unitholder/unitholders of First Real Estate Investment Trust ("**First REIT**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

or, both of whom failing, the Chairman of the Extraordinary General Meeting ("**EGM**") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of First REIT to be held at Pacific 3, Level 1, Pan Pacific Singapore, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Thursday, 21 September 2017, at 10.00 a.m. and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

	Resolution	No. of Votes for *	No. of Votes Against *
	ORDINARY RESOLUTION		
1	To approve the Buton Acquisition and the Buton Master Leases		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total number of Units held in:	No. of Units
(a) CDP register	
(b) Register of Unitholders	

Signature(s) of unitholder(s)/Common Seal of
Corporate Unitholder



IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. A unitholder of First Real Estate Investment Trust ("**First REIT**") and a unitholder of First REIT, "**Unitholder**") who is not a relevant intermediary and entitled to attend and vote at the EGM is entitled to appoint one or two proxies to attend and vote in his or her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he or she specifies the proportion of his or her holdings (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the EGM is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at Unit Registrar's office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time set for the EGM.
 4. Completion and return of the instrument appointing a proxy or proxies shall not preclude a Unitholder from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the EGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

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Affix
Postage
Stamp

The Company Secretary
Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

2nd fold here

5. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his or her name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) maintained by The Central Depository (Pte) Limited ("**CDP**"), he or she should insert that number of Units. If the Unitholder has Units registered in his or her name in the Register of Unitholders of First REIT, he or she should insert that number of Units. If the Unitholder has Units entered against his or her name in the said Depository Register and registered in his or her name in the Register of Unitholders of First REIT, he or she should insert the aggregate number of Units entered against his or her name in the Depository Register and registered in his or her name in the Register of Unitholders. If no number is inserted, this Proxy Form will be deemed to relate to all the Units held by the Unitholder.
6. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
7. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the Proxy Form, failing which the instrument may be treated as invalid.
8. Completion and return of this instrument appointing a proxy or proxies shall not preclude a Unitholder from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the EGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
9. The Manager and the Trustee shall have the right to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager: (a) may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his or her name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier than 72 hours prior to the time of the EGM, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
10. All Unitholders will be bound by the outcome of the EGM regardless of whether they have attended or voted at the EGM.
11. At any meeting, a resolution put to the vote of the meeting shall be decided by way of a poll. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he or she is the Unitholder. There shall be no division of votes between a Unitholder who is present and voting at the EGM and his or her proxy(ies). A person entitled to more than one vote need not use all his or her votes or cast them the same way.