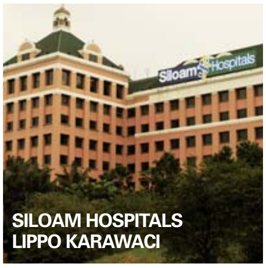
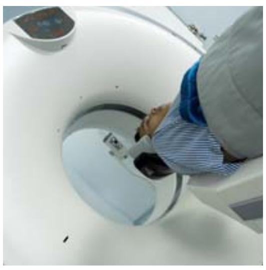
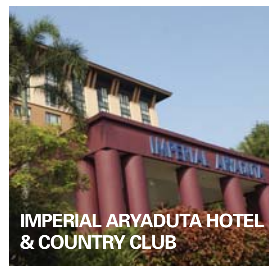
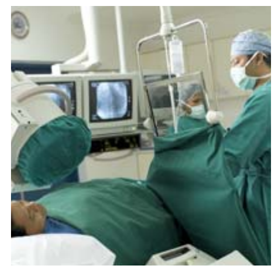








PROSPECTUS DATED 4 DECEMBER 2006
(Registered with the Monetary Authority of Singapore on 4 December 2006)

This document is important. 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.

FIRST REIT

FIRST REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 19 October 2006 under the laws of the Republic of Singapore)

Bowsprit Capital Corporation Limited (Company Registration No. 200607070D), as manager (the "**Manager**") of First Real Estate Investment Trust ("**First REIT**"), is making an offering (the "**Offering**") of 140,400,000 units representing undivided interests in First REIT ("**Units**") for subscription at the offering price of S$0.71 for each Unit (the "**Offering Price**") .

OFFER FOR SUBSCRIPTION BY
BOWSPRIT CAPITAL CORPORATION LIMITED
140,400,000 Units (Subject to the Over-allotment Option)
Offering Price: S$0.71 per Unit

The Offering consists of (i) an international placement of 133,400,000 Units to investors, including institutional and other investors in Singapore (the "**Placement**") and (ii) an offering of 7,000,000 Units to the public in Singapore (the "**Public Offer**"). The Offering is fully underwritten at the Offering Price by Merrill Lynch (Singapore) Pte. Ltd. ("**ML**") and Oversea-Chinese Banking Corporation Limited ("**OCBC Bank**"), together the Joint Lead Managers and the Underwriters.

Separate from the Offering, Bridgewater International Ltd. (the "**Vendor**"), an indirect wholly-owned subsidiary held by PT. Lippo Karawaci Tbk (the "**Sponsor**"), will receive 75,000,000 Units (the "**Consideration Units**") on Listing Date (as defined below) in part satisfaction of the purchase consideration for the properties which will form the initial property portfolio of First REIT (the "**Properties**", and each, a "**Property**"), namely (i) Siloam Hospitals Lippo Karawaci, (ii) Siloam Hospitals West Jakarta, (iii) Siloam Hospitals Surabaya, and (iv) Imperial Aryaduta Hotel & Country Club (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties").

Also separate from the Offering, each of ASM Asia Recovery (Master) Fund and ASM Hudson River Fund (together, "**ASM Funds**"), Raiffeisen Zentralbank Österreich ("**RZB**") *via* its wholly-owned subsidiary, Golden Rainbow International Limited, Quantum Asset Management Pte. Ltd. ("**Quantum**") and Prima Portfolio Pte. Ltd. ("**Prima**") (collectively, the "**Cornerstone Investors**") has entered into a cornerstone subscription agreement (collectively, the "**Cornerstone Subscription Agreements**") to subscribe for an aggregate of 56,000,000 Units at the Offering Price (the "**Cornerstone Units**"), conditional upon the underwriting agreement in connection to the Offering (the "**Underwriting Agreement**") having been entered into and not having been terminated pursuant to its terms on or prior to the Settlement Date (as defined herein).

Prior to the Offering, there has been no market for the Units. The offer of Units under this Prospectus will be by way of an initial public offering in Singapore. Application has been made to Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to list on the Main Board of the SGX-ST all of the Units comprised in the Offering, all of the Consideration Units, all of the Cornerstone Units and all of the Units which will be issued to the Manager from time to time in full or part payment of the Manager's fees. Such permission will be granted when First REIT has been admitted to the Official List of the SGX-ST (the "**Listing Date**"). Acceptance of applications for Units will be conditional upon issue of the Units and upon permission being granted to list the Units. In the event that such permission is not granted or if the Offering is not completed for any other reason, application monies will be returned in full, at each investor's own risk, without interest or any share of revenue or other benefit arising therefrom, and without any right or claim against First REIT, the Manager, HSBC Institutional Trust Services (Singapore) Limited , as trustee of First REIT (the "**Trustee**"), the Sponsor or any of the Joint Lead Managers or the Underwriters.

First REIT has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. First REIT's eligibility to list on the Main Board of the SGX-ST does not indicate the merits of the Offering, First REIT, the Manager or the Units. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, First REIT, the Manager or the Units.

Investors who are members of the Central Provident Fund ("**CPF**") in Singapore may use their CPF Ordinary Account savings to purchase or subscribe for Units as an investment included under the CPF Investment Scheme – Ordinary Account. CPF members are allowed to invest up to 35.0% of the Investible Savings (as defined herein) in their CPF Ordinary Accounts to purchase or subscribe for Units.

First REIT is an authorised scheme under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act" or the "SFA"). A copy of this Prospectus has been lodged with, and registered by, the Monetary Authority of Singapore (the "MAS") on 25 October 2006 and 4 December 2006 respectively. The MAS assumes no responsibility for the contents of this Prospectus. Lodgement with, or registration by, the MAS of this Prospectus does not imply that the Securities and Futures Act or any other legal or regulatory requirements have been complied with. The MAS has not, in any way, considered the investment merits of the collective investment scheme. This Prospectus will expire on 3 December 2007 (12 months after the date of the registration).

See "Risk Factors" commencing on page 34 of this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Units. None of the Manager, the Trustee, the Sponsor, the Vendor, the Joint Lead Managers or the Underwriters guarantees the performance of First REIT, the repayment of capital or the payment of a particular return on the Units.

Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix K – "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the Offering Price on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom), where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason.

In connection with the Offering, the Underwriters have been granted an over-allotment option (the "**Over-allotment Option**") by the Vendor (also the Unit Lender (as defined herein)), exercisable by ML (the "**Stabilising Manager**"), in consultation with OCBC Bank, in full or in part, or one or more occasions, within 30 days from the date of commencement of trading of the Units on the SGX-ST, to purchase from the Vendor, also the Unit Lender (as defined herein), up to an aggregate of 20,000,000 Units at the Offering Price, solely to cover the over-allotment of Units (if any), subject to any applicable laws and regulations. The total number of outstanding Units immediately after the completion of the Offering, including the Cornerstone Units and the Consideration Units, will be 271,400,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units outstanding.

The Units have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and, accordingly may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined in Regulation S under the Securities Act ("**Regulation S**")) in reliance on Regulation S.

JOINT LEAD MANAGERS AND UNDERWRITERS

Merrill Lynch   OCBC Bank

FINANCIAL ADVISER TO THE SPONSOR

PT CIPTADANA CAPITAL

About the Sponsor

PT. Lippo Karawaci Tbk

Listed on the Jakarta Stock Exchange and the Surabaya Stock Exchange, the Sponsor is an internationally recognised corporation and is also the largest listed broad-based property company in Indonesia, based on its market capitalisation of Rp.5.16 trillion (approximately S$900.0 million)*.

The Sponsor's property portfolio comprises townships and residential developments, commercial and retail development properties, healthcare, infrastructure and hospitality properties.

About the Manager

Bowsprit Capital Corporation Limited

The Manager is an indirect subsidiary of the Sponsor. The board of directors of the Manager is made up of individuals with a broad range of commercial experience, including expertise in fund management and the property industry. The Manager will set the strategic direction of First REIT and give recommendations to the Trustee on the acquisition, divestment or enhancement of assets of First REIT in accordance with its stated investment strategy.

* Based on the closing price per ordinary share on the Jakarta Stock Exchange of Rp.900.0 as at 29 September 2006

THE PROPERTIES

SILOAM HOSPITALS LIPPO KARAWACI

SILOAM HOSPITALS WEST JAKARTA

SILOAM HOSPITALS LIPPO KARAWACI

Located in the township of Lippo Karawaci, which is approximately 8 km from Jakarta's Soekarno-Hatta International Airport, Siloam Hospitals Lippo Karawaci is conveniently located 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.

The hospital has a sizeable potential patient base from the Lippo Karawaci township with a population of over 40,000 and the nearby Tangerang Regency with a population of about 3.0 million.

The Lippo Karawaci township, with its relatively high per capita income, has demonstrated high per capita demand and utilisation of medical services in relation to comparable townships.

With its Centres of Excellence for neuro-science and cardiology, the hospital offers a comprehensive range of cardiology services from preventive measures to complicated open-heart surgery.

SILOAM HOSPITALS WEST JAKARTA

Located about 6 km west of Jakarta Central, the catchment area of potential patients for Siloam Hospitals West Jakarta is large, given that it is located in and surrounded by many middle- to upper- income residential areas, with a total estimated population of over 1.7 million[1].

The hospital has Centres of Excellence for urology, obstetrics and gynaecology, and gastroenterology.

KEY INFORMATION ON THE P

PROPERTY	NUMBER OF OPERATIONAL BEDS / SALEABLE ROOMS AS AT 30 JUNE 2006	NUMBER OF STAFF AS AT 30 JUNE 2006	GROSS FLOOR AREA (SQUARE METRES)
Siloam Hospitals Lippo Karawaci	**160**[2]	**163 doctors, 304 nurses and medical staff**	**27,284**
Siloam Hospitals West Jakarta	**205**	**187 doctors, 332 nurses and medical staff**	**18,234**
Siloam Hospitals Surabaya	**160**	**221 doctors, 185 nurses and medical staff**	**9,042**
Imperial Aryaduta Hotel & Country Club	**190**[3]	**–**	**17,427**

[1] Source: *Citizenship Branch Office and Civil Register of West Jakarta*. Citizenship Branch Office and Civil Register of West Jakarta has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the population figure extracted from "http://sudindukcapil.barat.jakarta.go.id/statistik.php" and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

SILOAM HOSPITALS SURABAYA

IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

SILOAM HOSPITALS SURABAYA

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

Exhibiting strong per capita income growth, Surabaya is expected to witness increasing demand for healthcare-related services.

The hospital is known for its Centre of Excellence for fertility services, and has successfully completed more than 2,000 In-Vitro Fertilisation / Intra Cellular Sperm Injection procedures and produced 300 "test tube" babies, as at 31 December 2005.

IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

Located close to Siloam Hospitals Lippo Karawaci, the 197-room five star Imperial Aryaduta Hotel & Country Club provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families.

The hotel is also preferred by business travellers as it is conveniently located near the business and industrial areas of Tangerang, as well as the industrial areas of Cilegon.

As one of the very few hotels with linked country clubs in Jakarta, the hotel provides a wide range of sports, recreation, convention and food and beverage services.

MATION ON THE PROPERTIES

GROSS FLOOR AREA (SQUARE METRES)	OCCUPANCY RATE IN 2005 (%)	APPRAISED VALUE[4] AS AT 30 JUNE 2006 (S$ MILLION)	PURCHASE PRICE[5] (S$ MILLION)
27,284	67.8	132.5	94.3
18,234	60.6	71.2	50.6
9,042	64.2	23.6	16.8
17,427	61.3	29.8	21.2
		257.0	182.9

(2) The bed capacity of the hospital is 250
(3) The room capacity of the hotel is 197
(4) Based on independent valuation reports by Knight Frank/PT. Willson Properti Advisindo
(5) Based on the Offering Price of S$0.71 per Unit and the estimated issue costs of the Offering, the Cornerstone Units and the Consideration Units, of S$9.8 million (Assuming that the Over-allotment Option is not exercised)

KEY INVESTMENT HIGHLIGHTS

STABLE DISTRIBUTIONS SUPPORTED BY LONG-TERM MASTER LEASE AGREEMENTS

- **15-year lease term with option for the Master Lessee to renew for a further term of 15 years**
- **Rent will be paid in Singapore dollars**
- **Base rent is subject to an increase every year at a rate equal to two times the percentage increase of the Singapore Consumer Price Index for the preceding calendar year (subject to a cap of 2% and a floor of 0%)**
- **Variable rent is pegged to the gross revenue growth of the Master Lessee's healthcare and hospitality businesses carried out at the Properties**

EXPOSURE TO INDONESIA'S CONTINUING ECONOMIC GROWTH

- **Indonesia's strong economic growth is expected to continue in the near future and will result in increased expenditure on healthcare-related services(1)**
- **Indonesia's healthcare expenditure is expected to reach US$9.1 billion by 2008(1)**

EXPOSURE TO THE GROWING INDONESIAN HEALTHCARE SECTOR

- **Increase in life expectancy in Indonesia and the rest of South East Asia is expected to boost demand for healthcare services**
- **Regional healthcare and healthcare-related markets with high growth potential, such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, are expected to experience an increase in their per capita healthcare expenditure**

NO CAPITAL EXPENDITURE REQUIREMENTS IN THE FIRST TWO YEARS AFTER LISTING DATE

- **Under each of the Master Lease Agreements, the Master Lessee is responsible for all repair and replacement works during the first two years of the lease term. First REIT will be responsible for capital expenditures on the Properties only after the second year but any repair and replacement works which are of an expense nature shall be borne by the Master Lessee**

THE MANAGER COMPRISES COMPETENT AND EXPERIENCED PERSONNEL

- **Unitholders will benefit from the experience of key staff members of the Manager in fund, asset and property management in the healthcare and property markets**

POTENTIAL FOR GROWTH THROUGH ACQUISITIONS

- **Well-defined acquisition strategy as demonstrated by the entry into non-binding MOUs for the acquisition of 3 properties in Singapore and 1 property in Indonesia**
- **First REIT will be granted a right of first refusal to purchase from the Sponsor and/or its subsidiaries healthcare and/or healthcare-related hospitality assets which are owned by the Sponsor and/or any of its subsidiaries, subject to certain conditions**

SPONSOR'S INTEREST IS SUBSTANTIALLY ALIGNED WITH THAT OF UNITHOLDERS

- **The Sponsor is expected to hold a stake of 27.6% in First REIT after listing (subject to the Over-allotment Option (as defined herein)) and will stand to benefit from any upside in the distributions to be made by First REIT and appreciation in the market value of the Units**

MANAGEMENT FEES STRUCTURED TO INCENTIVISE AND ALIGN INTERESTS OF THE MANAGER WITH THAT OF UNITHOLDERS

- **The management fees are structured to incentivise the Manager to grow revenues and minimise operating costs**
- **The Manager is entitled to receive a base fee of 0.4% per annum of the value of First REIT's Deposited Property (as defined herein), as well as an additional performance fee of 5.0% per annum of the net property income in the relevant financial year**

CAPITAL STRUCTURE

- **Zero debt at inception, leaving significant financing flexibility to undertake future acquisitions**

TAX EXEMPTIONS

- **Unitholders will be exempt from Singapore income tax on distributions made by First REIT out of its tax-exempt income**

(1) Source: Based on the Independent Report on the Healthcare Industry in Indonesia by Frost & Sullivan (the Independent Healthcare Industry Consultant)

COMPETITIVE STRENGTHS

STRATEGIC AND PRIME LOCATION

- Each of the Properties is strategically located in parts of Indonesia with a large catchment area of potential patients or (as the case may be) hotel guests

INTERNATIONALLY RECOGNISED SPONSOR WITH EXPERTISE IN PROPERTY AND HEALTHCARE MANAGEMENT

- The largest listed broad-based property company in Indonesia, with a track record in planning and developing large property, infrastructure and township projects
- Received the "Best Property Developer in Indonesia" award and named as one of the top 10 property developers in the Asia-Pacific region by Euromoney in November 2005
- Received the "Indonesia's Most Admired Company (IMAC) 2006" award in July 2006 from Businessweek Magazine
- Experienced and well-qualified team to manage the healthcare business and properties

MEDICAL SPECIALISATION IN EACH HOSPITAL

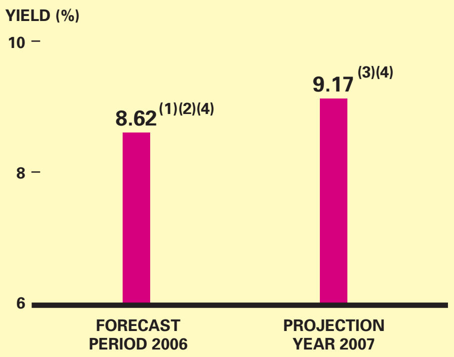
- The Centres of Excellence in each hospital are recognised as providing premium healthcare services in Indonesia
- Doctors practising in competing public and private hospitals regularly recommend the services offered by the Centres of Excellence

FINANCIAL HIGHLIGHTS

DISTRIBUTION POLICY

First REIT's current distribution policy is to distribute 100.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts, for the period commencing from Listing Date to 31 December 2007, and thereafter to distribute at least 90.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts.

FORECAST AND PROJECTED DISTRIBUTION YIELD



■ Offering Price of S$0.71 per Unit.

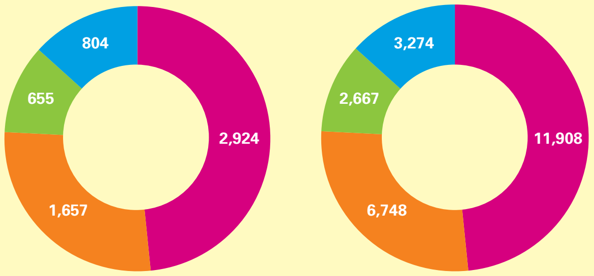
(1) Annualised figure for the period commencing from 1 October 2006 and ending 31 December 2006 (the "Forecast Period 2006").

(2) Based on a distribution per Unit of 1.53 cents for the Forecast Period 2006.

(3) Based on a distribution per Unit of 6.51 cents for the period from 1 January 2007 to 31 December 2007 (the "Projection Year 2007").

(4) Such yields may vary accordingly for investors who purchase the Units in the secondary market at a market price different from the Offering Price. The profit forecast and profit projection, from which this information was extracted, are based on various assumptions set out in the Prospectus under the heading "Profit Forecast and Profit Projection". There can be no assurance that the profit forecast and the profit projection will be met and the actual yields per Unit may be materially different from the forecast and projected yields.

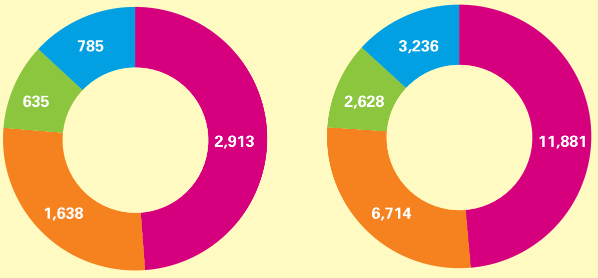
CONTRIBUTION TO RENTAL INCOME (S$'000)



FORECAST PERIOD 2006
Total: S$6.0m

PROJECTION YEAR 2007
Total: S$24.6m

CONTRIBUTION TO NET PROPERTY INCOME (S$'000)



FORECAST PERIOD 2006
Total: S$6.0m

PROJECTION YEAR 2007
Total: S$24.5m

- Siloam Hospitals Lippo Karawaci
- Siloam Hospitals West Jakarta
- Siloam Hospitals Surabaya
- Imperial Aryaduta Hotel & Country Club

INDICATIVE TIMETABLE

An indicative timetable for the Offering and for trading in the Units is set out below:

DATE AND TIME	EVENT
5 December 2006, 9.00 a.m.	Opening date and time for the Offering
7 December 2006, 12 noon	Closing date and time for the Offering
11 December 2006, 2.00 p.m.	Commence trading on a "ready" basis

NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of First REIT, the Manager, the Trustee, the Joint Lead Managers, the Underwriters or the Sponsor. Neither the delivery of this Prospectus nor any offer, subscription, sale or transfer made hereunder shall under any circumstances imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of First REIT, the Manager, the Trustee or the Units since the date on the front cover of this Prospectus. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, the Manager will make an announcement of the same to the SGX-ST and, if required, lodge and issue a supplementary document or replacement document pursuant to Section 298 of the Securities and Futures Act and take immediate steps to comply with the said Section 298. Investors should take notice of such announcements and documents and upon release of such announcements and documents shall be deemed to have notice of such changes. No representation, warranty or covenant, express or implied, is made by any of First REIT, the Manager, the Trustee, the Joint Lead Managers, the Underwriters, the Sponsor or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise, representation or covenant by any of First REIT, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor or the Trustee or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

None of First REIT, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor and the Trustee or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers is making any representation or undertaking to any purchaser or subscriber of Units regarding the legality of an investment by such purchaser or subscriber under appropriate legal, investment or similar laws. In addition, this Prospectus is offered solely for the purpose of the Offering and investors in the Units should not construe the contents of this Prospectus as legal, business, financial or tax advice. Investors should be aware that they are required to bear the financial risks of an investment in the Units, and may be required to do so for an indefinite period of time. Investors should consult their own professional advisers as to the legal, tax, business, financial and related aspects of an investment in the Units.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, during office hours, from:

Merrill Lynch (Singapore) Pte. Ltd.	**Oversea-Chinese Banking Corporation Limited**
1 Temasek Avenue	65 Chulia Street
#28-01 Millenia Tower	OCBC Centre
Singapore 039192	Singapore 049513

and from selected branches of OCBC Bank and, where applicable, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: http://www.sgx.com.

The distribution of this Prospectus and the offering, subscription, purchase, sale or transfer of the Units in certain jurisdictions may be restricted by law. First REIT, the Manager, the Trustee, the Joint Lead Managers, the Underwriters and the Sponsor require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions at their own expense and without liability to First REIT, the Manager, the Trustee, the Joint Lead Managers, the Underwriters and the Sponsor. This Prospectus does not constitute, and the Manager, the Trustee, the Joint Lead Managers, the Underwriters and the Sponsor are not making, an offer of, or an invitation to subscribe for or purchase, any of the Units in any jurisdiction in which such offer or invitation would be unlawful. Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information herein for any purpose whatsoever nor permit or cause the same to occur.

In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may, in consultation with the other Underwriter, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels that might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the Securities and Futures Act and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilising action. Such transactions may commence on or after the date of the commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected after the earliest of (i) the date falling 30 days from the commencement of trading of the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (either through the purchase of the Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriter), or (iii) the date falling 30 days after the date of adequate public disclosure of the price of the Units.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus constitute "forward-looking statements". This Prospectus also contains forward-looking financial information in "Profit Forecast and Profit Projection". Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of First REIT, the Manager, the Sponsor, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager's present and future business strategies and the environment in which First REIT, the Manager or the Sponsor will operate in the future. Because these statements and financial information reflect the Manager's current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information. You should not place any undue reliance on these forward-looking statements.

Among the important factors that could cause First REIT's, the Manager's or the Sponsor's actual results, performance or achievements to differ materially from those in the forward-looking statements and financial information are the condition of, and changes in, the domestic, regional and global economies, including, but not limited to, factors such as political, economic and social conditions in Indonesia, environmental conditions and viral epidemics such as human avian flu and Severe Acute Respiratory Syndrome ("**SARS**") that may result in reduced occupancy or rental rates for First REIT's properties or future acquisitions, changes in government laws and regulations affecting First REIT, competition in the Indonesian healthcare and/or hospitality industry, currency exchange rates, interest rates, inflation, relations with service providers, relations with lenders, hostilities (including future terrorist attacks), fear of hostilities that affect travel, the performance and reputation of First REIT's properties and/or future acquisitions, difficulties in identifying future acquisitions, difficulties in completing and integrating future acquisitions, changes in the Manager's board of directors and executive officers, risks related to natural disasters, general volatility of the capital markets, the effects of uncertainties in the Indonesian legal system (which could limit the legal protections available to foreign investors, including the enforcement of foreign judgments in Indonesia), general risks relating to hospitals, hotels and the market price of the Units as well as other matters not yet known to the Manager or not currently considered material by the Manager. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors", "Profit Forecast and Profit Projection" and "Business and Properties". These forward-looking statements and financial information speak only as at the date of this Prospectus. The Manager expressly disclaims any obligation or undertaking to release publicly any updates of or revisions to any forward-looking statement or financial information contained herein to reflect any change in the Manager's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other relevant regulatory or supervisory body or agency.

CERTAIN DEFINED TERMS AND CONVENTIONS

First REIT will publish its financial statements in Singapore dollars. In this Prospectus, references to "S$" or "Singapore dollars" are to the lawful currency of the Republic of Singapore, references to "Rp." or "Indonesian Rupiah" are to the lawful currency of the Republic of Indonesia while references to "US$" or "US dollars" are to the lawful currency of the United States of America. For the reader's convenience, except where the exchange rate between the Indonesian Rupiah and the Singapore dollar is expressly stated otherwise, certain Indonesian Rupiah amounts in this Prospectus have been translated into Singapore dollars based on the exchange rate of Rp. 5,791.96 = S$1.00, which was the average exchange rate between Indonesian Rupiah and Singapore dollar as quoted by Bank Indonesia on 29 September 2006. However such translations should not be construed as representations that Indonesian Rupiah amounts have been, could have been or could be converted into Singapore dollars at that or any other rate (see "Exchange Rates").

Capitalised terms used in this Prospectus shall have the meanings set out in the Glossary.

Unless otherwise stated, data relating to (i) the pro forma combined financial information of the Carved Out Segment of the Sponsor for the financial year ended 31 December 2005 ("**FY2005**") and the six months ended 30 June 2006 ("**HY2006**") ("**Pro Forma Combined Financial Information**") have been prepared on the bases set out in Appendix C—"Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Financial Year Ended 31 December 2005" and Appendix E—"Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Six Months Ended 30 June 2006 (Unaudited)", and (ii) the unaudited pro forma consolidated balance sheet of First REIT as at Listing Date has been prepared on the bases set out in Appendix A—"Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date".

The Sponsor's consolidated financial statements and its Pro Forma Combined Financial Information as at 31 December 2005 and 30 June 2006 have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**").

First REIT's unaudited pro forma consolidated balance sheet as at Listing Date and its profit forecast and projection have been prepared in accordance with the Singapore Financial Reporting Standards ("**SFRS**"). No adjustments to such financial information is necessary had the IFRS been used for such financial information.

Certain historical financial data in this Prospectus, including financial terms, is derived from the Pro Forma Combined Financial Information and is presented on a pro forma basis (see "Pro Forma Combined Financial Information of the Carved Out Segment of the Sponsor for the Financial Year Ended 31 December 2005 and the Six Months Ended 30 June 2006").

The forecast and projected yields and yield growth are calculated based on the Offering Price. Such yields and yield growth will vary accordingly for investors who purchase Units in the secondary market at a market price different from the Offering Price.

Any discrepancies in the tables, graphs and charts included in this Prospectus between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place and measurements in square metres ("**sq m**") are converted to square feet ("**sq ft**") and vice versa based on the conversion rate of 1 sq m = 10.7639 sq ft. References to "Appendix" or "Appendices" are to the appendices set out in this Prospectus. All references in this Prospectus to dates and times shall mean Singapore dates and times unless otherwise specified.

MARKET AND INDUSTRY INFORMATION

This Prospectus includes market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information. While the Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein.

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information contained or referred to elsewhere in this Prospectus. Investing in the Units involves risks. Investors should read this Prospectus in its entirety and, in particular, the sections from which the information in this summary is extracted and "Risk Factors". The meanings of terms not defined in this summary can be found in the Glossary or in the Trust Deed. A copy of the Trust Deed can be inspected at the registered office of the Manager, which is located at 78 Shenton Way, #22-01 Lippo Centre, Singapore 079120.

Statements contained in this summary that are not historical facts may be forward-looking statements. Such statements are based on certain assumptions and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from those forecast or projected (see "Forward-Looking Statements"). Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Manager, the Trustee, the Joint Lead Managers, the Underwriters, the Sponsor or any other person or that these results will be achieved or are likely to be achieved.

Overview of First REIT

First REIT is a Singapore-based real estate investment trust constituted by a trust deed dated 19 October 2006 (the "**Trust Deed**"). It 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, 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. In addition, as one of its objectives, First REIT seeks to invest in healthcare and healthcare-related assets that are positioned to capitalise on the growing demand for healthcare services in Asia.

The Manager's key financial objective is to provide unitholders of First REIT ("**Unitholders**") with a competitive rate of return for their investment by ensuring regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value ("**NAV**") of First REIT (see "Strategy").

First REIT's initial asset portfolio, as at Listing Date, will comprise the following Properties which are all located in Indonesia:

- Siloam Hospitals Lippo Karawaci;
- Siloam Hospitals West Jakarta;
- Siloam Hospitals Surabaya; and
- Imperial Aryaduta Hotel & Country Club.

Each of these Properties is wholly-owned by First REIT through special purpose companies ("**SPCs**").

Imperial Aryaduta Hotel & Country Club is included in First REIT's initial portfolio as the hotel and country club generate some synergies with Siloam Hospitals Lippo Karawaci in that the hotel is considered a popular choice with the hospital's out-of-town inpatients, outpatients and day-surgery patients, as well as their families. Siloam Hospitals Lippo Karawaci and Imperial Aryaduta Hotel & Country Club are both located in the Lippo Karawaci township, which is maintained by the Sponsor and is the first private sector township in Indonesia.

Each of the Properties will be leased to PT. Lippo Karawaci Tbk (the "**Master Lessee**"), which is also the Sponsor, pursuant to a master lease agreement (collectively, the "**Master Lease Agreements**"). The Master Lessee will bear all operating costs relating to the Properties, including maintenance, certain taxes and insurance during the term of each of the Master Lease Agreement. In addition, during the first two years of each of the Master Lease Agreements, all repair and replacement works in respect of the structural parts of the Properties and mechanical and electrical equipment shall be borne by the Master Lessee instead of First REIT.

Competitive Strengths

The Manager believes that the competitive strengths of the Properties include:

- **Strategic and Prime Location**

  All of the existing Properties are strategically located in parts of Indonesia with a large catchment area of potential patients or (as the case may be) hotel guests, for (i) Siloam Hospitals Lippo Karawaci, (ii) Siloam Hospitals West Jakarta, and (iii) Siloam Hospitals Surabaya (collectively, the "**Hospitals**"), and (iv) Imperial Aryaduta Hotel & Country Club.

  Siloam Hospitals Lippo Karawaci is located in Lippo Karawaci, which is approximately 8 kilometres ("**km**") from the Soekarno-Hatta International Airport in Jakarta. It is conveniently located 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 Merak, an industrial city located on the west coast of Java.

  Siloam Hospitals West Jakarta is located in Kebun Jeruk - in West Jakarta. The catchment area of potential patients for this hospital is large, given that it is located in and surrounded by many middle- to upper-income residential areas including Kedoya, Kebun Jeruk and Puri Indah, with a combined estimated population of over 1.7 million[1].

  Siloam Hospitals Surabaya is located in the central area of Surabaya, the second largest city in Indonesia. The catchment area of potential patients for this hospital is large, given the relatively low number of similar high-quality hospitals in the region.

  Imperial Aryaduta Hotel & Country Club, located in Lippo Karawaci, is a business and recreational complex comprising a 197-room five star hotel (with 190 saleable rooms) and a country club providing a wide range of sports, recreation, conference, and food and beverage services. It is well positioned to benefit from healthcare tourism, given its location and its proximity to Siloam Hospitals Lippo Karawaci, as the hotel provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families.

- **Benefits from the Sponsor's Property Management and Operating Expertise as well as the Sponsor's Expertise in Managing Healthcare Businesses and Properties**

  The Sponsor is an internationally recognised corporation and is also the largest listed broad-based property company in Indonesia, based on its market capitalisation on the Jakarta Stock Exchange ("**JSX**") and the Surabaya Stock Exchange ("**SSX**"), of Rp. 5.16 trillion (approximately S$900.0 million) based on the closing price per ordinary share on the JSX of Rp. 900.0 as at 29 September 2006.

  Its property portfolio comprises townships and residential developments, commercial and retail development properties, healthcare, infrastructure and hospitality properties. The Sponsor has a recognised track record in the planning and development of large property, infrastructure and township projects as well as the subsequent ongoing maintenance, upkeep and renovation of

Note:

(1) Source: *Citizenship Branch Office and Civil Register of West Jakarta*. Citizenship Branch Office and Civil Register of West Jakarta has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the population figure extracted from http://sudindukcapil.barat.jakarta.go.id/statistik.php and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

properties. In November 2005, Euromoney conferred two awards on the Sponsor, naming it the "Best Property Developer in Indonesia" as well as placing it among the top 10 property developers in the Asia-Pacific region. Subsequently in July 2006, the Sponsor received, from Businessweek Magazine, the "Indonesia's Most Admired Company (IMAC) 2006" award in the category of property developers. The Sponsor employs a number of experienced professionals with in-depth property management and operating experience (see "The Sponsor"). The Manager believes that the Hospitals and Imperial Aryaduta Hotel & Country Club will also benefit from the established "Siloam" and "Aryaduta" brand names respectively.

The Sponsor's presence in the healthcare business dates back to 1995, when it established and developed Siloam Hospitals Lippo Karawaci in the same year and Siloam Hospitals Lippo Cikarang in 2002. It also acquired and integrated Siloam Hospitals Surabaya in 1996 and 2002 respectively, as well as Siloam Hospitals West Jakarta in 1997 and 1998 respectively. The Sponsor has an experienced and well-qualified team in charge of managing the healthcare business and the Properties (see "The Sponsor").

- **Centres of Excellence at Each of the Hospitals**

  Each of the Hospitals has its own "Centres of Excellence", which is a term used by the Sponsor 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 ("**Centre of Excellence**").

  Siloam Hospitals Lippo Karawaci has Centres of Excellence in the areas of neuro-science and cardiology while Siloam Hospitals West Jakarta has Centres of Excellence in urology, obstetrics and gynaecology as well as gastroenterology. Siloam Hospitals Surabaya is known for its Centre of Excellence in providing fertility services.

Key Investment Highlights

The Manager believes that an investment in First REIT offers the following attractions to Unitholders:

- **Stable Distributions supported by Long-term Master Lease Agreements**

  On Listing Date, each of the Properties will be owned by an Indonesian SPC, which will be indirectly wholly-owned by First REIT, and will be leased by the Indonesian SPC to the Master Lessee, pursuant to the terms of the relevant Master Lease Agreement. The term of each of the Master Lease Agreements is 15 years from Listing Date, with an option for the Master Lessee to renew for a further term of 15 years. This will offer stable tenancy at each of the Properties during the term of the relevant Master Lease Agreement.

  Under each of the Master Lease Agreements, the relevant Indonesian SPC will be entitled to receive from the Master Lessee, for the duration of the term of each Master Lease Agreement, rental payment, comprising a base rent and a variable rent. The base rent is subject to an increase every year at a rate equal to two times the percentage increase of the consumer price index ("**CPI**") of Singapore for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%. The variable rent is calculated based on a percentage of the growth of the gross revenue of the Master Lessee's healthcare and hospitality businesses carried out at the Properties ("**Master Lessee Gross Revenue**") in the preceding calendar year. No variable rent is payable during the first year of the lease. The rent will be paid in Singapore Dollars at a fixed rate of S$1.00 to Rp. 5,623.50. This formula shall be fixed for the entire duration of the lease term. The long tenure, denomination of rent in Singapore Dollars and the commercial terms of the Master Lease Agreements will provide Unitholders with enhanced stability and security of income.

  First REIT's current distribution policy is to distribute 100.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts, for the period commencing from Listing Date to 31 December 2007, and to distribute at least 90.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts thereafter. The tax-exempt income comprises dividends received or receivable from the Singapore SPCs, which are ultimately paid out of income derived by the Indonesian SPCs from the leasing of the Properties under the Master Lease Agreements to the Master Lessee. Capital receipts comprise amounts received by First REIT from the redemption of its investment in the redeemable preference shares in the Singapore SPCs.

The actual proportion of tax-exempt income and capital receipts distributed to Unitholders beyond 31 December 2007 may be greater than 90.0% if the Manager believes it to be appropriate, having regard to First REIT's funding requirements, other capital management considerations, and the need to ensure the overall stability of distributions.

Distributions will be paid on a quarterly basis for the three-month periods ending 31 March, 30 June, 30 September and 31 December each year. First REIT's first distribution after Listing Date will be for the period from Listing Date to 31 March 2007 and will be paid by the Manager on or before 31 May 2007. Subsequent distributions will take place on a quarterly basis (see "Distributions").

The table below sets out the Manager's forecast and projected distribution yields based on a distribution per unit of 1.53 cents for the period from 1 October 2006 to 31 December 2006 (the "**Forecast Period 2006**") and a distribution per unit of 6.51 cents for the period from 1 January 2007 to 31 December 2007 (the "**Projection Year 2007**").

	Distribution Yield
	Based on the Offering Price of S$0.71
	(%)
Forecast Period 2006[(1)]	8.62
Projection Year 2007	9.17

Note:
(1) Annualised figures for the Forecast Period 2006.

Such yields will vary accordingly for investors who purchase the Units in the secondary market at a market price different from the Offering Price. The profit forecast and profit projection, from which this information was extracted, are based on various assumptions set out in "Profit Forecast and Profit Projection". There can be no assurance that the profit forecast and profit projection will be met and the actual yields per Unit may be materially different from the forecast and projected yields (see "Risk Factors").

- **Exposure to Continuing Economic Growth of Indonesia**

The Properties are located in Indonesia, which is currently experiencing strong economic growth. According to Frost & Sullivan (the "**Independent Healthcare Industry Consultant**"), such economic growth is expected to continue in the near future and will result in increased expenditure on healthcare related services. In addition, there are positive signs for the healthcare industry in Indonesia, and healthcare expenditure in Indonesia is expected to reach US$9.1 billion by the year 2008 (see Appendix J—"Independent Report on the Healthcare Industry in Indonesia").

- **Exposure to the Growing Indonesian Healthcare Sector**

The emerging demographics of the Indonesian population also favour the growth of expenditure on healthcare-related services. There are approximately 10.8 million Indonesians aged 65 or older in Indonesia, who comprise approximately 4.8% of the total Indonesian population (see Appendix J—"Independent Report on the Healthcare Industry in Indonesia"). The age structure of the population in Indonesia shows a declining trend in the younger age group (0-14 years) and an increase in the elderly group (65 years and above). The proportion of young persons declined from 36.0% in 1990 to 30.8% in 2000 and is projected to decline to 26.3% in the year 2010. The proportion of elderly, meanwhile, is projected to increase from 3.8% through 4.8% to 6.0% during the same period. Although a similar trend can be observed in the population age structure in the Southeast Asian region, the rate of change in Indonesia is believed to be more rapid than the rest of the region.

This increase in life expectancy can be expected to boost demand for healthcare services and, more importantly, the demand for innovative and more sophisticated means of delivering those services. Hospitals are likely to be the beneficiaries of this increase in demand.

Further, First REIT's acquisition strategy focuses on healthcare and healthcare-related assets in Asia, including, but not limited to, regional healthcare and/or healthcare-related markets with high growth potential, such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong. All of these countries are expected to experience an increase in their per capita healthcare expenditure accompanying increases in per capita incomes and the changing demographic trends in their population.

- **No Capital Expenditure Requirements in the first two years after Listing Date**

  Under each of the Master Lease Agreements, the Master Lessee is responsible, throughout the entire lease term, for the land and building tax (including all increases thereof from time to time) and all outgoings and expenses to be incurred in respect of the Properties. Such expenses would include expenses for maintenance, repair, management, all operating expenses and utilities, as well as cleaning and painting (if necessary) of the external facade of the Properties.

  During the first two years of the lease term, the Master Lessee shall be responsible for all repair and replacement works, whether or not of a capital nature and irrespective of the cost of such works. After the first two years of the lease term, First REIT is responsible for any repair and replacement works in relation to the structural parts of the Properties and the mechanical and electrical equipment which are of a capital nature. Any repair and replacement works which are of an expense nature shall be borne by the Master Lessee. Each of the Properties has recently undergone refurbishment and thus it is not anticipated that significant expenditure on refurbishment will be required in the near future.

- **The Manager comprises competent and experienced personnel**

  The management and the board of directors of the Manager comprise nine individuals who collectively have years of experience in healthcare and/or real estate. The Manager believes that the Unitholders will benefit from the experience of key staff members of the Manager in fund, asset and property management in the healthcare and property markets. First REIT intends to leverage on such relevant experience and expertise to implement its planned strategies (see "The Manager and Corporate Governance").

- **Long Master Lease Duration**

  The term of each Master Lease Agreement is for 15 years with an option for the Master Lessee to obtain an additional lease for a further term of 15 years on the same terms and conditions save for the rent for the further term and excluding any further option to renew. The rent for the further term shall be at the then prevailing market rent, as may be agreed by the relevant landlord and the Master Lessee. If there is no agreement by the relevant landlord and the Master Lessee on such prevailing market rent, the rent for the further term will be based on the rent applicable to the 15th year of the term adjusted upwards taking into account the aggregated percentage increase of the CPI of Singapore for the 12 months comprised in the 15th year of the term.

- **Potential for Growth through Acquisitions**

  Underlying dynamics in the healthcare industry favour consolidation and separation of ownership of real estate from healthcare business

  - The Manager believes that healthcare service providers will increasingly look to lighten their balance sheets to free up capital for business expansion, which may increase the availability of assets for acquisition. This is evidenced by the recent trend in the region with consolidation of larger healthcare service providers through mergers and acquisitions. Some examples of this trend include Singapore-based Parkway Holdings Group's recent acquisition of a stake in the Malaysian Pantai Group, as well as the Australian Ramsay Healthcare Group's acquisition of the Affinity Health Group's interest in three Indonesian hospitals.

- The Manager is also of the view that certain service providers would prefer to focus on their core competencies, devoting their investment and management focus to the business of providing healthcare services and moving away from the ownership of the underlying real estate. Decentralisation and the privatisation of the public healthcare sector will also increase the availability of assets for acquisition.
- First REIT and the Sponsor may jointly pursue acquisition opportunities of healthcare and/or healthcare-related assets, with the Sponsor looking to expand its healthcare business and with First REIT acquiring the underlying assets.

Well-defined Acquisition Strategy

- While the assets in First REIT's initial portfolio are all located in Indonesia, First REIT's acquisition growth strategy envisages investments in healthcare and/or healthcare-related assets in Asia that are in the interest of Unitholders, taking into account, among other things, the cash flows to be generated by the assets, opportunities for future income and capital growth and diversification of the portfolio by geography, asset, and optimisation of risk-adjusted returns to the Unitholders.
- The Manager has already commenced the process of identifying and evaluating assets for future acquisition by First REIT. Potential acquisition targets include assets located in Asia, including, but not limited to, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong. The Manager has entered into non-binding memoranda of understanding (save for obligations of confidentiality and exclusivity) with (i) three companies related to and managed by Pacific Healthcare Holdings Ltd, which is listed on the SGX-ST, in connection with the proposed acquisition and leaseback of two Singapore properties which were purpose-built as nursing homes, as well as a Singapore property which was purpose-built as a hospital, and (ii) PT. Nusautama Medicalindo in connection with the proposed acquisition and leaseback of an Indonesian property which was purpose-built as a hospital (see "Strategy—Acquisition Growth Strategy" for details of these properties). The Manager is presently negotiating the financing as well as the broad lease terms with regard to the potential acquisition and leaseback of these properties.
- The underlying dynamics of the healthcare industry and co-operation between the Sponsor and First REIT in the evaluation and execution of acquisitions is expected to position First REIT favourably in the sourcing and completion of acquisitions which are in the interests of Unitholders.

First REIT's structure and relationship with the Sponsor

- First REIT and the Sponsor may jointly pursue acquisition opportunities of healthcare and/or healthcare-related real estate, with the Sponsor expanding its healthcare business and with First REIT acquiring the underlying real estate. The Manager believes that this strategy will benefit both the Sponsor and First REIT since their collective capabilities should result in synergies in the sourcing and execution of acquisition opportunities, thereby increasing the value of the underlying real estate.
- Under each of the Master Lease Agreements, the Master Lessee (which is also the Sponsor) will grant to the relevant landlord, being an Indonesian SPC which will on Listing Date be indirectly wholly-owned by First REIT, a right of first refusal to purchase from the Sponsor and/or its subsidiaries healthcare and/or healthcare-related hospitality assets which are owned by the Sponsor and/or any of its subsidiaries, subject to certain conditions (the "**Right of First Refusal**"). The Right of First Refusal in each of the Master Lease Agreements will be applicable notwithstanding the expiry or termination of the Master Lease Agreement for so long as the relevant landlord is held by First REIT. This enhances First REIT's pipeline of potential future acquisitions. In addition, the Sponsor intends to support the growth of First REIT by developing and holding on to, among others, assets that fit within First REIT's investment strategy.

- The Manager will pursue its investment strategies separately and independently of the Sponsor, so long as it is able to meet its objectives and strategies that are set out.

- **Sponsor's Interest is Substantially Aligned with that of Unitholders**

  The Sponsor will, immediately after the completion of the Offering, through its indirect wholly-owned subsidiary, the Vendor, hold 75,000,000 Units (constituting approximately 27.6% of the total number of Units expected to be in issue at that time). As such, the Sponsor stands to benefit from any upside in the distributions to be made by First REIT and appreciation in the market value of the Units. The Sponsor indirectly holds the Vendor *via* Lippo Karawaci Corporation Pte. Ltd. ("**LKC**").

  The Vendor has agreed to (a) a lock-up arrangement in respect of its direct interests in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the period commencing from Listing Date until the date falling 180 days after Listing Date (the "**First Lock-Up Period**"), and (b) a lock-up arrangement in respect of 50.0% of its direct interests in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the period commencing from the day immediately following the First Lock-up Period until the date falling 360 days after Listing Date (the "**Second Lock-Up Period**"), subject to certain exceptions (see "Plan of Distribution—Lock-up Arrangements").

  In the same vein, the Sponsor and LKC have each agreed to (i) a lock-up arrangement in respect of their direct or indirect interests in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the First Lock-up Period, and (ii) a lock-up arrangement in respect of 50.0% of their direct or indirect interests in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the Second Lock-up Period, subject to certain exceptions (see "Plan of Distribution—Lock-up Arrangements").

  The 20,000,000 Units (constituting approximately 7.4% of the total number of Units expected to be issued on Listing Date) will be lent by the Vendor to the Underwriters, to cover the over-allotment of the Units (if any). Any Units not purchased pursuant to the exercise of the Over-allotment Option will be re-delivered to the Vendor.

- **Management Fees Structured to Incentivise and Align Interests of the Manager with that of Unitholders**

  The management fees payable to the Manager have a performance-based element that is designed to align the interests of the Manager with those of the Unitholders, and incentivise the Manager to grow revenues and minimise operating costs. Under the Trust Deed, the Manager is entitled to receive a base fee of 0.4% per annum of the value of First REIT's Deposited Property (as defined herein) (the "**Base Fee**"), as well as an additional performance fee of 5.0% per annum of the net property income ("**NPI**") in the relevant financial year (calculated before accounting for this additional fee in that financial year) (the "**Performance Fee**") (see "Summary—Certain Fees and Charges").

  Any increase in the rate or any change in the structure of these fees must be approved by a resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution (an "**Extraordinary Resolution**") at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

- **Capital Structure**

  No Gearing as at Listing Date

  - First REIT will not incur any borrowings as at Listing Date. As a real estate investment trust is generally permitted to borrow up to 35.0% of the value of its Deposited Property (or up to a maximum of 60.0% if a credit rating from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public), this leaves First REIT with sufficient capability for debt financing should the need for such financing arise in the future.

  Future Financing Flexibility

  - Since First REIT will not incur any borrowings as at Listing Date, First REIT will have substantial headroom to optimise its capital structure and undertake future acquisitions *via* borrowings.
  - To the extent that the Manager incurs borrowings, the Manager aims to optimise First REIT's capital structure and cost of capital within the "aggregate leverage"(1) limit set out in the Property Funds Guidelines, and intends to use a combination of debt and equity to fund future acquisitions, property enhancements and capital expenditure.

- **Tax Exemptions**

  Dividends and interest received in Singapore from the Indonesian SPCs will be exempt from Singapore income tax under Sections 13(8) and 13(12) of the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**") respectively. Distributions made by First REIT out of such income, received through the Singapore SPCs in the form of one-tier (tax exempt) dividends, will be exempt from tax in the hands of all Unitholders. No Singapore withholding tax is applicable on such distributions.

  Distributions made out of capital receipts, comprising amounts received by First REIT from redemption of redeemable preference shares in the Singapore SPCs, will be treated as a return of capital for Singapore income tax purposes and will not be taxed in the hands of all Unitholders. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of this portion of the distribution will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain arising from a subsequent disposal of the Units. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

  Under the Stamp Duties (Real Estate Investment Trusts) (Remission) Rules 2005, stamp duty chargeable on any instrument relating to the sale of any immoveable property situated in Singapore or any interest thereof from any person to a real estate investment trust ("**REIT**") listed on the SGX-ST shall be remitted and such remission will apply to instruments executed during the period from 18 February 2005 to 17 February 2010.

  It is expected that First REIT will benefit from cost savings arising from the remission of stamp duty in relation to instruments executed for the purposes of its future property acquisitions in Singapore where such instruments are executed during the period from 18 February 2005 to 17 February 2010.

  Further, the Singapore Government announced in the 2006 Budget on 17 February 2006 that the scope of tax exemption under Section 13(12) of the Income Tax Act, granted to Singapore-listed REITs, will be expanded to include foreign-sourced interests and distributions by foreign trusts paid out of income or gains related to ownership of foreign properties, subject to satisfying certain qualifying conditions.

Note:

(1) According to the Property Funds Guidelines, this means total borrowings and deferred payments (including deferred payments for assets whether to be settled in cash or in units of the relevant property fund).

Key Information on the Properties

A summary of key information on the Properties is set out below:

Property	Appraised Value by Knight Frank as at 30 June 2006[(1)]	Appraised Value by HVS International as at 30 June 2006[(1)]	Land Area	Gross Floor Area ("GFA")	Operational beds / Saleable rooms	Year of building completion
	(S$)	(S$)	(sq m)	(sq m)		(Year)
Siloam Hospitals Lippo Karawaci	132,500,000	115,000,000	17,442	27,284	160[(2)]	1995
Siloam Hospitals West Jakarta	71,170,000	63,000,000	11,420	18,234	205	1991
Siloam Hospitals Surabaya	23,560,000	25,000,000	6,862	9,042	160	1977
Imperial Aryaduta Hotel & Country Club	29,770,000	31,000,000	54,410	17,427	190[(3)]	1994
Total	**257,000,000**	**234,000,000**	**90,134**	**71,987**	**715**	

Notes:

(1) Knight Frank / PT. Willson Properti Advisindo ("**Knight Frank**") had primarily adopted the income method of valuation utilising discounted cash flow analysis and cross checked with income capitalisation method. HVS International Singapore / PT. Artanila Permai ("**HVS International**") had applied the income approach using the discounted cash flow analysis on the projected net income stream (see Appendix I—"Independent Property Valuation Summary Reports"). In addition, the Manager notes that one of the key reasons for the difference in valuations provided by Knight Frank and HVS International was due to the assumptions underlying the valuation methodology. HVS International considered it necessary to include an allowance for capital expenditure for operating equipment (in particular, medical equipment) upon expiration of the initial 15-year term of the master lease. This was on the assumption that the Hospitals, following the expiration of the initial lease term, will be managed by a new hospital operator and that medical equipment will have to be provided by the landlord as property owner under such circumstances. Knight Frank did not make a similar assumption. The Manager's present expectation is that the landlord will not have to provide such equipment at the expiration of the initial lease term (either because the Master Lessee exercises its option to renew the lease for a subsequent 15-year period, or because the landlord will secure a new hospital operator for the Hospitals without the need for the landlord to incur such expenditure on equipment). The Manager has therefore used the appraised value from Knight Frank rather than HVS International as the basis in determining the fair value of the Properties.

(2) The bed capacity for this hospital is 250.

(3) The room capacity for the hotel is 197.

Information on the Properties

The Properties are all located in Indonesia. The Properties are each situated on different plots of land, comprising an aggregate of 32 plots of lands. Indonesian land law dictates that only Indonesian individuals, Indonesian government bodies and certain Indonesian religious and social organisations are allowed to hold freehold land. Freehold land in Indonesia is not available to companies (whether Indonesian or foreign owned) or to foreign individuals.

As such, First REIT will on Listing Date hold the Properties under 'Right to Build' (*Hak Guna Bangunan* or "**HGB**") titles. In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of 'leasehold' title.

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 (see "Overview of Relevant Laws and Regulations in Indonesia—Regulation of the Indonesian Property Development Industry").

A summary of the details of each of the Properties is as follows:

Siloam Hospitals Lippo Karawaci

Jalan Siloam No. 6, Lippo Karawaci Township, Sub-District of Bencongan, District of Curug, Regency of Tangerang, Province of Banten, Indonesia

Brief Description	Siloam Hospitals Lippo Karawaci is located in Lippo Karawaci, which is approximately 8 km from the Soekarno-Hatta International Airport in Jakarta. It is conveniently located 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 Merak, an industrial city located west of the Java coast. Notable establishments near the area include the Imperial Aryaduta Hotel & Country Club, the Mochtar Riady Institute, and the medical faculty of Pelita Harapan University. The Lippo Karawaci township, with its relatively high per capita income, has demonstrated high per capita demand and utilisation of medical services in relation to comparable townships. It has a population of over 40,000 and is itself a sizeable potential patient base. In addition, the nearby Tangerang Regency has a population of approximately 3.0 million.
Title	The building was erected on land which is described in various land certificates under PT. Lippo Karawaci Tbk (see Appendix I—"Independent Property Valuation Summary Reports").
Year of building completion	1995
Appraised value by Knight Frank as at 30 June 2006	S$132,500,000
Appraised value by HVS International as at 30 June 2006	S$115,000,000
Land Area	17,442 sq m
Gross Floor Area ("GFA") as at 30 June 2006	27,284 sq m
No. of operational beds as at 30 June 2006	160

Number of car park lots as at 30 June 2006	160
Centres of Excellence	Neuro-science and cardiology

Picture of Siloam Hospitals Lippo Karawaci

Siloam Hospitals West Jakarta

Jalan Raya Perjuangan, Sub-District of Kebon Jeruk, District of Kebon Jeruk
Regency of West Jakarta, Province of DKI Jakarta, Indonesia

Brief Description	The hospital is located at about 6 km west of Jakarta Central, which is the national monument as well as the geographical and governmental centre of the city. The West Jakarta area is predominantly allocated for trading activities and medium- to high-density residential dwellings. The catchment area of potential patients for this hospital is large, given that it is surrounded by many middle- to upper- income residential areas including Kedoya, Kebun Jeruk and Puri, with a total estimated population of over 1.7 million[(1)].
Title	The building was erected on land which is described in various land certificates under PT. Lippo Karawaci Tbk (see Appendix I—"Independent Property Valuation Summary Reports").
Year of building completion	1991
Appraised value by Knight Frank as at 30 June 2006	S$71,170,000
Appraised value by HVS International as at 30 June 2006	S$63,000,000
Land Area	11,420 sq m
GFA as at 30 June 2006	18,234 sq m
No. of operational beds as at 30 June 2006	205
Number of car park lots as at 30 June 2006	325
Centres of Excellence	Urology, obstetrics and gynaecology, and gastroenterology

Note:

(1) Source: *Citizenship Branch Office and Civil Register of West Jakarta*. Citizenship Branch Office and Civil Register of West Jakarta has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the population figure extracted from http://sudindukcapil.barat.jakarta.go.id/statistik.php and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

Siloam Hospitals West Jakarta

Siloam Hospitals Surabaya

Jalan Raya Gubeng No. 70, Sub-District of Gubeng, District of Gubeng, Regency of Surabaya, Province of East Java, Indonesia

Brief Description	The hospital is located in the central area of Surabaya, the second largest city in Indonesia. The catchment area of potential patients for this hospital is large, given the relatively lower number of similar high quality hospitals in the region. Furthermore, the Surabaya area is exhibiting strong per capita income growth and this is expected to result in increasing demand for healthcare related services. Notable establishments near the area include the elementary school, the junior high school and senior high school of Gita Kirti, the Indosat Building, the Office Jamsostek Building and the Bank Negara Indonesia Building.
Title	The building was erected on land which is described in various land certificates under PT. Lippo Karawaci Tbk (see Appendix I—"Independent Property Valuation Summary Reports").
Year of building completion	1977
Appraised value by Knight Frank as at 30 June 2006	S$23,560,000
Appraised value by HVS International as at 30 June 2006	S$25,000,000
Land Area	6,862 sq m
GFA as at 30 June 2006	9,042 sq m
Number of operational beds as at 30 June 2006	160
Number of car park lots as at 30 June 2006	110
Centre of Excellence	Fertility services

Picture of Siloam Hospitals Surabaya

Imperial Aryaduta Hotel & Country Club

Jalan Bulevar Jenderal Sudirman Kav 401, Lippo Karawaci Township, Sub-District of Bencongan, District of Curug, Regency of Tangerang, Province of Banten, Indonesia

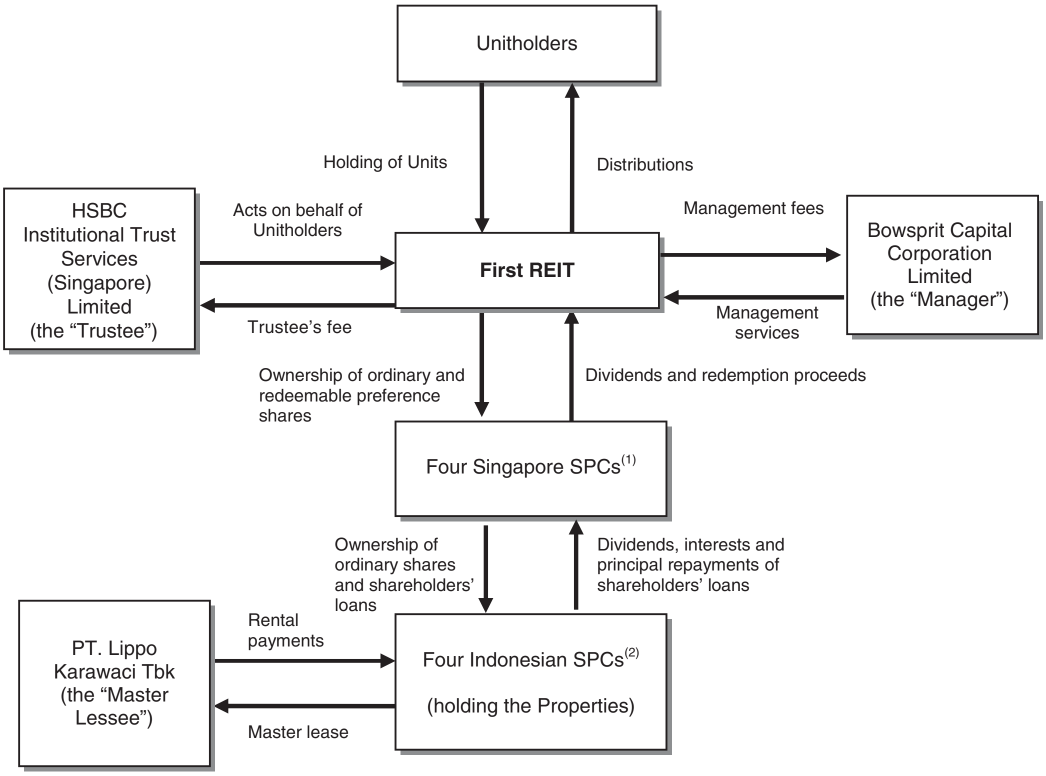
Brief Description	Imperial Aryaduta Hotel & Country Club, located in Lippo Karawaci, is a complex comprising a 197-room five star hotel (with 190 saleable rooms) and a country club providing a wide range of sports, recreation and food and beverage services. It is well positioned to benefit from healthcare tourism, given its location and the proximity to Siloam Hospitals Lippo Karawaci as the hotel provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families. In addition, the hotel is preferred by business travellers as it is conveniently located near the business and industrial areas of the Tangerang, as well as the industrial areas of Cilegon, approximately 50 km from Lippo Karawaci.
Title	The building was erected on land which is described in various land certificates under PT. Lippo Karawaci Tbk and PT. Prudential Hotel Development (see Appendix I—"Independent Property Valuation Summary Reports").
Year of building completion	1994
Appraised value by Knight Frank as at 30 June 2006	S$29,770,000
Appraised value by HVS International as at 30 June 2006	S$31,000,000
Land Area	54,410 sq m
GFA as at 30 June 2006	17,427 sq m
Total room capacity as at 30 June 2006	197
Number of saleable rooms as at 30 June 2006	190
Number of car park lots as at 30 June 2006	300
Facilities	Two grand ballrooms fully equipped with audio-visual equipment, two meeting rooms, a sauna, a steam room, a Jacuzzi, function rooms, a business centre, 24-hour room service, 24-hour security service, free parking space for up to 300 cars, laundry and valet service, a hairdressing salon, a sports shop, a Panda Kids Club to entertain children, several restaurants and bars, two swimming pools, a gymnasium, an aerobic studio, two squash courts, four indoor badminton courts, tennis courts, indoor and outdoor basketball courts, table tennis facilities, a mini soccer field, a jogging track, a rock-climbing wall, billiard tables, a playground and a sand field.

Picture of Imperial Aryaduta Hotel & Country Club

(See "Business and Properties" for further details on the Properties.)

Structure of First REIT

The following diagram illustrates the relationship between First REIT, the Master Lessee, the Singapore SPCs, the Indonesian SPCs, the Manager, the Trustee and the Unitholders as at Listing Date:



Notes:

(1) The four Singapore SPCs will be acquired by First REIT on Listing Date.

(2) The entire share capital in each of the four Indonesian SPCs is owned by two Singapore SPCs. Each of these four Indonesian SPCs will acquire one of the four Properties from the Sponsor on Listing Date and will lease it to the Master Lessee (which is also the Sponsor) in consideration for rental payments from the Master Lessee.

Key steps that were undertaken by the Sponsor to inject the Properties into First REIT

On 23 October 2006, the Vendor entered into sale and purchase agreements to sell all of the issued ordinary shares and redeemable preference shares in the four Singapore SPCs to First REIT at completion (collectively, the "**Singapore SPC Share Purchase Agreements**"). The Singapore SPCs are GOT Pte. Ltd., Henley Investments Pte. Ltd., Primerich Investments Pte. Ltd. and Lovage International Pte. Ltd. The aggregate consideration for the acquisition of all of the ordinary shares and redeemable preference shares in the four Singapore SPCs will be satisfied with the proceeds raised from the Offering and the issuance of 56,000,000 Cornerstone Units to the Cornerstone Investors, and the issuance of 75,000,000 Consideration Units to the Vendor, net of the issue costs of the Offering, the Cornerstone Units and the Consideration Units (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Singapore SPC Share Purchase Agreements"). The completion of the Singapore SPC Share Purchase Agreements will take place on Listing Date.

Pursuant to four share purchase agreements dated 12 June 2006 (collectively, the "**Indonesian SPC Share Purchase Agreements**"), each Indonesian SPC is owned by two of the four Singapore SPCs (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Singapore SPC Share Purchase Agreements—Summary of Ownership Structure"). The Indonesian SPCs are PT. Sentra Dinamika Perkasa, PT. Graha Indah Pratama, PT. Karya Sentra Sejahtera and PT. Tata Prima Indah. The aggregate effect of this is that by its ownership of the four Singapore SPCs, First REIT will also indirectly own the four Indonesian SPCs.

On 23 October 2006, each of the four Singapore SPCs entered into a shareholder's loan agreement with each of the four Indonesian SPCs to extend a shareholder's loan to that particular Indonesian SPC so that it could use the proceeds of the shareholder's loan to part-finance the purchase of one of the Properties (the "**Shareholders Loan Agreements**").

On 23 October 2006, each of the Indonesian SPCs entered into a sale and purchase agreement with the Sponsor for the acquisition of a Property, with the completion of such acquisition scheduled to take place on Listing Date (collectively, the "**Property Purchase Agreements**"). Each Indonesian SPC will fund the purchase consideration with the proceeds received from the shareholder's loan, as described above.

The Manager: Bowsprit Capital Corporation Limited

The Manager was incorporated in Singapore under the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") on 17 May 2006. It has a paid-up capital of S$1.0 million and its registered office is located at 78 Shenton Way, #22-01 Lippo Centre, Singapore 079120.

The Manager is 10.0% directly owned by Battery Road Limited, 10.0% directly owned by Golden Decade International Limited, and 80.0% directly owned by LK REIT Management Ltd, which is an indirect wholly-owned subsidiary of the Sponsor. As such, the Manager is an indirect subsidiary of the Sponsor.

The board of directors of the Manager (the "**Board**") is made up of individuals with a broad range of commercial experience, including expertise in fund management and the property industry. The Board consists of Mr Albert Saychuan Cheok, Mr Chan Kin, Mr Goh Tiam Lock, Mr Mag Rainer Silhavy, Datuk Robert Chua Teck Chew and Dr Ronnie Tan Keh Poo @ Tan Kay Poo ("**Dr Ronnie Tan**").

Generally, the Manager will provide the following services to First REIT:

- *Investment strategy.* Formulate and execute First REIT's investment strategy, including determining the location, sub-sector type and other characteristics of First REIT's property portfolio.
- *Acquisitions and divestments.* Make recommendations to the Trustee on the acquisition and divestment of properties.
- *Planning and reporting.* Formulate periodic property plans, including budgets and reports, relating to the performance of First REIT's properties.
- *Financing.* Formulate plans for equity and debt financing for First REIT's property acquisitions, distribution payments, expense payments and property maintenance payments.
- *Administrative and advisory services.* Perform day-to-day administrative services as First REIT's representative, including providing administrative services relating to meetings of Unitholders when such meetings are convened.
- *Investor relations.* Communicate and liaise with Unitholders and investors.
- *Compliance management.* Make all regulatory filings on behalf of First REIT, and ensure that First REIT is in compliance with the applicable provisions of the Securities and Futures Act and all other relevant legislation, the SGX-ST Listing Manual ("**Listing Manual**"), the Code on Collective Investment Schemes (including the Property Funds Guidelines) (the "**CIS Code**"), the Trust Deed, any tax ruling and all relevant contracts.
- *Accounting records.* Keep books and prepare or cause to be prepared accounts and annual reports.

(See "The Manager and Corporate Governance—The Manager of First REIT".)

The Manager's principal investment strategy is to invest in income-producing real estate, which are primarily used for healthcare and healthcare-related purposes. The Manager's key objectives are to deliver regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value per Unit in order to provide Unitholders with a rewarding investment return. The Manager plans to achieve these objectives through the following strategies:

- Investments will be made in view of the long-term.
- The investment portfolio will primarily comprise established hospitals, medical centres, nursing and retirement homes, and healthcare-related assets.
- Future investments will be in properties that are primarily used for healthcare and healthcare-related purposes.

The Manager plans to achieve its key objectives through the following:

- **Acquisition Growth Strategy**—First REIT's acquisition growth strategy envisages investments in healthcare and/or healthcare-related assets that are in the interests of Unitholders. While the assets in First REIT's initial portfolio are all located in Indonesia, the Manager is in the process of identifying and evaluating potential assets for future acquisition by First REIT. These include assets located in Asia, including, but not limited to, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong. This initiative demonstrates the Manager's commitment to growing First REIT in the interests of Unitholders.
- **Capital and Risk Management Strategy**—While First REIT will not have any borrowings as at Listing Date, to the extent that First REIT incurs borrowings in the future, the Manager will employ an appropriate mix of debt and equity in the financing of the future acquisitions, and utilise currency and interest rate hedging strategies where appropriate to optimise risk-adjusted returns to the Unitholders.

  In accordance with the requirements of the Listing Manual, the Manager's investment strategy for First REIT will be adhered to for at least three years following Listing Date, unless otherwise approved by an Extraordinary Resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.
- **Active Asset Enhancement and Management Strategy**—Implementing pro-active measures to enhance the returns from the existing and future properties in First REIT's portfolio. Such measures may include addition and alteration works, including work carried out for the purpose of expanding size and capacity and (in relation to future properties to be acquired by First REIT), leveraging and enhancing the properties' competitive strengths to optimise rentals and enhancement projects to maintain the competitive positioning of such properties.

The Sponsor: PT. Lippo Karawaci Tbk

In July 2004, there was a merger of eight property-related companies, forming the Sponsor. The Sponsor is an internationally recognised corporation and is also the largest listed broad-based property company in Indonesia, based on its market capitalisation on the JSX and the SSX, of Rp. 5.16 trillion (approximately S$900.0 million) based on the closing price per ordinary share on the JSX of Rp 900.0 as at 29 September 2006.

The Sponsor's property portfolio comprises townships and residential developments, commercial and retail development properties, healthcare, hospitality and infrastructure.

(See "The Sponsor".)

The Trustee: HSBC Institutional Trust Services (Singapore) Limited

The Trustee, HSBC Institutional Trust Services (Singapore) Limited, is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act 2005, Chapter 336 of Singapore, with its place of business in Singapore at 21 Collyer Quay, #14-01 HSBC Building, Singapore 049320. The Trustee's powers and duties include:

- acting as trustee of First REIT;
- holding the properties of First REIT for the benefit of the Unitholders; and
- exercising all of the powers of a trustee and the powers accompanying ownership of the properties of First REIT.

(See "The Formation and Structure of First Real Estate Investment Trust—The Trustee".)

Singapore SPCs: GOT Pte. Ltd., Henley Investments Pte. Ltd., Primerich Investments Pte. Ltd. and Lovage International Pte. Ltd.

First REIT will, on Listing Date, complete the acquisition of all of the ordinary shares and redeemable preference shares in each of the Singapore SPCs from the Vendor. Each of the Indonesian SPCs is owned by two of the four Singapore SPCs.

Indonesian SPCs: PT. Sentra Dinamika Perkasa, PT. Graha Indah Pratama, PT. Tata Prima Indah and PT. Karya Sentra Sejahtera

Under each Property Purchase Agreement, each of the four Indonesian SPCs, which is owned by two of the Singapore SPCs, will, on Listing Date, complete the acquisition of one of the four Properties from the Sponsor and lease it to the Master Lessee in consideration for rental payments from the Master Lessee under each of the Master Lease Agreements.

Hospital operator of the Hospitals (the "Hospital Operator")

The Hospital Operator is a wholly-owned subsidiary of the Sponsor and is one of the largest privately owned healthcare companies in Indonesia and provides a full range of healthcare services including internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopaedics, obstetrics, urology and "Accident and Emergency" services. These services may also be provided on an outpatient basis and are supported by ancillary healthcare services such as day surgery, laboratory and radiology diagnostic, respiratory therapy, physical therapy and executive health screening.

Hotel operator for Imperial Aryaduta Hotel & Country Club (the "Hotel Operator"): PT. Aryaduta International Management

The Hotel Operator, PT. Aryaduta International Management, was incorporated in Indonesia on 11 October 1997. Its registered office is located at Jalan Prapatan No. 44-48, Jakarta Pusat, Indonesia. The Hotel Operator is a wholly-owned subsidiary of the Sponsor and has vast experience in managing, among others, hotels, resorts, restaurants, and facilities dedicated to leisure and conventions.

The first Aryaduta hotel, which is in Jakarta, is managed by Hyatt International. Three of the other hotels which the Hotel Operator currently manages include the Imperial Aryaduta Hotel & Country Club in Lippo Karawaci, Tangerang, the Imperial Aryaduta Hotel Makassar located in Makassar, South Sulawesi, and Aryaduta Hotel Pekanbaru located in Pekanbaru, Riau.

Certain Fees and Charges

The following is a summary of the amounts of certain fees and charges payable by the Unitholders in connection with the subscription for the Units (so long as the Units are listed):

	Payable by the Unitholders directly	Amount payable
(a)	Subscription fee or preliminary charge . . .	N.A.[1]
(b)	Realisation fee	N.A.[1]
(c)	Switching fee	N.A.[1]
(d)	Any other fee	Clearing fee for trading of Units on the SGX-ST at the rate of 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction.

Note:

(1) As the Units will be listed and traded on the SGX-ST and Unitholders will have no right to request the Manager to redeem their Units while the Units are listed, no subscription fee, preliminary charge, realisation fee or switching fee is payable in respect of the Units.

The following is a summary of certain fees and charges payable by First REIT in connection with the establishment and on-going management and operation of First REIT:

Payable by First REIT	Amount payable
(a) Management fees	**Base Fee** 0.4% per annum of the value of the Deposited Property. The Manager has opted to receive the Base Fee in the form of cash in respect of the period from Listing Date to 31 December 2006 and the Projection Year 2007. **Performance Fee** 5.0% per annum of First REIT's NPI or the NPI of the relevant SPCs for each financial year (calculated before accounting for this additional fee in that financial year). The Manager has agreed to receive such proportion of its performance fees in respect of the period from Listing Date to 31 December 2006 and Forecast Period 2007 as would be required to support, to the extent possible, the forecast and projected distributions during the said periods, in the form of Units (rather than cash). The Manager has opted to receive, in respect of the period from Listing Date to 31 December 2006 and the Projection Year 2007, at least 50.0% of the Performance Fee in the form of Units and the balance in cash. The Manager may elect to receive its management fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine) after the Projection Year 2007, having regard to the distribution yields to Unitholders and the cash flow of First REIT.
(b) Trustee's fee	The Trustee's fee is presently 0.03% per annum of the value of the Deposited Property, subject to a minimum sum per month. Such minimum sum does not exceed S$10,000 per month during the first three years after Listing Date and is fixed at S$10,000 per month thereafter. The Trustee's fee (including the minimum amount of such fee) will be subject to review three years after Listing Date. First REIT will also pay the Trustee a one-time inception fee of S$25,000.
(c) Any other substantial fee or charge (*i.e.* 0.1% or more of First REIT's asset value)	
(i) Acquisition fee (payable to the Manager)	1.0% of each of the following as is applicable (subject to there being no double-counting): (i) the acquisition price of any real estate purchased by First REIT, whether directly or indirectly through one or more

Payable by First REIT	Amount payable
	SPCs owned by First REIT, plus any other payments in addition to the acquisition price made by First REIT or its SPCs to the vendor in connection with the purchase of the real estate (pro rated if applicable to the proportion of First REIT's interest); (ii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any additional payments made by First REIT or its SPCs to the vendor in connection with the purchase of such equity interests (pro rated if applicable to the proportion of First REIT's interest); or (iii) the acquisition price of any investment by First REIT, whether directly or indirectly through one or more SPCs, in any debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate. For the purpose of this acquisition fee, equity interests include all classes and types of equity securities relating to real estate which shall, for the avoidance of doubt, exclude any investment in debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate. No acquisition fee is payable for the acquisition of the Properties. The acquisition fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) provided that in respect of any acquisition of real estate assets from interested parties, such a fee should be in the form of Units issued by First REIT at the prevailing market price. Such Units should not be sold within one year from the date of their issuance. Any payment to third party agents or brokers in connection with the acquisition of any healthcare or healthcare-related or other assets of First REIT shall be paid by the Manager to such persons out of the acquisition fee received by the Manager, and not additionally out of the Deposited Property of First REIT.
(ii) Divestment fee (payable to the Manager)	0.5% of each of the following as is applicable (subject to there being no double-counting): (i) the sale price of any real estate sold or divested by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any other payments in addition to the sale price received by First REIT or its SPCs from the purchaser in connection with the sale or divestment of the real estate (pro rated if applicable to the proportion of First REIT's interest);

Payable by First REIT	Amount payable
	(ii) the underlying value of any real estate which is taken into account when computing the sale price payable for the equity interest of any vehicle holding directly or indirectly the real estate sold or divested by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any additional payments received by First REIT or its SPCs from the purchaser in connection with the sale or divestment of such equity interests (pro rated if applicable to the proportion of First REIT's interest); or (iii) the sale price of any investment by First REIT, whether directly or indirectly through one or more SPCs, in any debt securities of any property corporation or other SPCs owning or acquiring real estate. For the purpose of this divestment fee, equity interests include all classes and types of equity securities relating to real estate which shall, for the avoidance of doubt, exclude any investment in debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate. The divestment fee is payable to the Manager in the form of cash and/or Units (as the Manager may elect) provided that in respect of any sale or divestment of real estate assets to interested parties, such a fee should be in the form of Units issued by First REIT at the prevailing market price. Such Units should not be sold within one year from date of their issuance. Any payment to third party agents or brokers in connection with the divestment of any healthcare or healthcare-related or other assets of First REIT shall be paid by the Manager to such persons out of the divestment fee received by the Manager, and not additionally out of the Deposited Property of First REIT.

Recent Developments

On 16 November 2006, Parkway Holdings Limited ("**Parkway**") sent a letter to the MAS (the "**Letter**") alleging that the Sponsor had breached an agreement containing a non-competition covenant as well as a right of first refusal in favour of a Parkway subsidiary (the "**Non-competition Agreement**"). The Letter also alleged that the Sponsor and its subsidiaries were using the "Gleneagles" name in their respective operations, as well as in the preliminary prospectus, without the consent of Parkway. The Sponsor vigorously disputed these allegations. The Sponsor's position, which it has at all material times believed and acted on, is that the Non-competition Agreement had previously come to an end and was no longer in effect, and that it had the right to use the "Gleneagles" name. Further and in any event, the Sponsor and its subsidiaries had already begun the process of discontinuing the use of the "Gleneagles" name since the beginning of 2006 as part of its re-branding exercise to use the "Siloam" brand name.

After discussions between the Sponsor and Parkway regarding the issues raised in the Letter, the Sponsor and the relevant Parkway subsidiary entered into a deed of termination on 4 December 2006. Under this deed of termination, the parties unconditionally and irrevocably confirmed the termination of the Non-competition Agreement and any other related ancillary agreements. The parties also agreed to waive all claims against each other relating to the Non-competition Agreement and these other ancillary agreements. The Sponsor also agreed to remove, and to discontinue all further use of, the "Gleneagles" trademark and service mark from all its and its subsidiaries' operations.

On 4 December 2006, Parkway informed the MAS in writing of its withdrawal of the Letter.

For recent developments regarding the Sponsor, see "The Sponsor".

The Offering

First REIT	First Real Estate Investment Trust, a real estate investment trust established in the Republic of Singapore and constituted by the Trust Deed.
The Manager	Bowsprit Capital Corporation Limited.
The Trustee	HSBC Institutional Trust Services (Singapore) Limited.
The Sponsor	PT. Lippo Karawaci Tbk.
The Master Lessee	PT. Lippo Karawaci Tbk.
The Vendor	Bridgewater International Ltd., an indirect wholly-owned subsidiary of the Sponsor.
The Unit Lender	Bridgewater International Ltd., also the Vendor.
The Offering	140,400,000 Units offered under the Placement and the Public Offer, subject to the Over-allotment Option.
The Placement	133,400,000 Units offered by way of an international placement to investors, including institutional and other investors in Singapore. The Units have not been and will not be registered under the Securities Act and, accordingly may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined under Regulation S) in reliance on Regulation S.
The Public Offer	7,000,000 Units offered by way of a public offer in Singapore.
Clawback and Re-allocation	The Units may be re-allocated between the Placement and the Public Offer in the event of an excess of applications in one and a deficit of applications in the other.
Consideration Units	Separate from the Offering, the Sponsor will, through its indirect wholly-owned subsidiary, Bridgewater International Ltd., (also the Unit Lender and the Vendor), receive an aggregate of 75,000,000 Consideration Units on Listing Date in part satisfaction of the purchase consideration for the Properties (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties— Description of the Singapore SPC Share Purchase Agreements— Principal Terms of Singapore SPC Share Purchase Agreement").
Cornerstone Units	Separate from the Offering, each of the Cornerstone Investors has entered into a Cornerstone Subscription Agreement to subscribe for an aggregate of 56,000,000 Cornerstone Units at the Offering Price, subject to certain conditions.
Offering Price	S$0.71 per Unit.

Subscription for the Public Offer	Investors applying for Units by way of Application Forms or Electronic Applications (both as referred to in Appendix K—"Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore") in the Public Offer will pay the Offering Price of S$0.71 per Unit on application, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case, without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only or, (ii) the Offering does not proceed for any reason. For the purpose of illustration, an investor who applies for 1,000 Units by way of an Application Form or an Electronic Application under the Public Offer will have to pay S$710.00, which is subject to a refund of the full amount or the balance thereof (without interest or any share of revenue or other benefit arising therefrom), as the case may be, upon the occurrence of any of the foregoing events. The minimum initial subscription is for 1,000 Units. An applicant may subscribe for a larger number of Units in integral multiples of 1,000. Investors in Singapore must follow the application procedures set out in Appendix K—"Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore". Subscriptions under the Public Offer must be paid for in Singapore dollars. No fee is payable by applicants for the Units, save for an administration fee of S$1.00 for each application made through automated teller machines of the Participating Banks.
Over-allotment Option	In connection with the Offering, the Underwriters have been granted the Over-allotment Option by the Vendor (also the Unit Lender). The Over-allotment Option is exercisable by the Stabilising Manager, in consultation with the other Underwriter, in full or in part, on one or more occasions, within 30 days from Listing Date, to purchase from the Vendor up to an aggregate of 20,000,000 Units at the Offering Price, solely to cover over-allotment of Units (if any) subject to any applicable laws and regulations. The total number of Units in issue immediately after the close of the Offering, including the Cornerstone Units and the Consideration Units, will be 271,400,000 Units. The exercise of the Over-allotment Option will not increase this total number of Units in issue. The total number of Units subject to the Over-allotment Option will not exceed more than 20.0% of the total number of Units under the Offering.
Lock-ups	The Vendor, LKC and the Sponsor have each agreed to (i) a lock-up arrangement in respect of their direct or indirect interests (as the case may be) in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the First Lock-Up Period and (ii) a lock-up arrangement in respect of 50.0% of their direct or indirect interests (as the case may be) in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the Second Lock-Up Period, subject to certain exceptions. The Manager has also agreed to a lock-up arrangement in respect of among others, any offer, issue or contract to issue any Units (or any securities convertible into or exchangeable for the Units or which

carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision), and the making of any announcements in connection with any offer, issue or contract to issue any Units during the First Lock-Up Period, subject to certain exceptions.

Separately, RZB has also agreed to a lock-up arrangement in respect of its effective interest in its Cornerstone Units as at Listing Date during the First Lock-up Period, subject to certain exceptions.

(See "Plan of Distribution—Lock-up Arrangements".)

Capitalisation . . . . S$234.8 million based on the Offering Price (see "Capitalisation").

Use of Proceeds . . . . See "Use of Proceeds" and "Certain Agreements Relating to First Real Estate Investment Trust and the Properties".

Listing and Trading . . . . Prior to the Offering, there has been no market for the Units. Application has been made to the SGX-ST for permission to list on the Main Board of the SGX-ST all of the Units comprised in the Offering, all of the Consideration Units, all of the Cornerstone Units as well as all of the Units which may be issued to the Manager from time to time in full or part payment of the Manager's fees (see "The Manager and Corporate Governance—Manager's Fees"). Such permission will be granted when First REIT is admitted to the Official List of the SGX-ST.

The Units will, upon their issue, listing and quotation on the SGX-ST, be traded in Singapore dollars under the book-entry (scripless) settlement system of The Central Depository (Pte) Limited ("**CDP**"). The Units will be traded in board lot sizes of 1,000 Units.

Stabilisation . . . . In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may, in consultation with the other Underwriter, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA, and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action.

Such transactions may commence on or after the date of commencement of trading in the Units on SGX-ST and, if commenced, may be discontinued at any time and shall not be effected upon the earliest of (i) the date falling 30 days from the commencement of trading in the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of the Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriter), or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units.

(See "Plan of Distribution—Over-allotment and Stabilisation".)

No Redemption by Unitholders	**Unitholders 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 listed Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.**
Unitholders' Meetings	The Manager or the Trustee may (and the Manager shall at the request in writing of not less than 50 Unitholders or the Unitholders with not less than one-tenth in number of issued Units, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed.
Distribution Policy	Distributions from First REIT to Unitholders are computed based on 100.0% of First REIT's tax-exempt income (after deduction of applicable expenses) and capital receipts for the period from Listing Date to 31 December 2007 and at least 90.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts thereafter on a quarterly basis, except for the first distribution, which will be in respect of the period from Listing Date to 31 March 2007 and will be paid by the Manager on or before 31 May 2007 (see "Distributions").
Singapore Tax Considerations	Unitholders will be exempt from Singapore income tax on distributions made by First REIT out of its tax-exempt income. Unitholders will not be subject to Singapore income tax on distributions made by First REIT out of its capital receipts, comprising amounts received from redemption of redeemable preference shares in the Singapore SPCs. These distributions will be treated as a return of capital for Singapore income tax purposes. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain arising from a subsequent disposal of the Units. If the amount distributed exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders (see "Taxation").
Indonesia Tax Considerations	The income received by the Indonesian SPCs solely from rental payments by the Master Lessee is subject to final income tax in Indonesia at the rate of 10.0%. The Indonesian SPCs should charge value-added tax ("**VAT**") at the rate of 10.0% on the rental income from the Master Lessee. The income received by First REIT through the Singapore SPCs in the form of dividends and interest payments is subject to tax in Indonesia at the rate of 10.0%. The withholding tax on the dividends and interest payments is payable when these payments are accrued or paid, whichever comes first.
Termination of First REIT	First REIT can be terminated if the Unitholders' approval is obtained by passing an Extraordinary Resolution at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed. As specified in the Trust Deed, the Manager or the Trustee may terminate First REIT under certain circumstances, for example, if First REIT is delisted permanently from the SGX-ST (see "The Formation and Structure of First Real Estate Investment Trust— Termination of First REIT").

Governing Law . . . . The Trust Deed, pursuant to which First REIT was constituted, is governed by Singapore law. The Singapore SPC Sale and Purchase Agreements, the Shareholders Loan Agreements and the Master Lease Agreements are governed by Singapore law while the Property Purchase Agreements and the Indonesian SPC Share Purchase Agreements are governed by Indonesian law.

Commission Payable by First REIT to the Joint Lead Managers and the Underwriters . . . . The Manager, on behalf of First REIT, has agreed to pay the Joint Lead Managers and the Underwriters for their services in connection with the Offering and the Cornerstone Units, an underwriting, selling and management commission (the "**Underwriting, Selling and Management Commission**") of approximately S$6.6 million (assuming that the Over-allotment Option is exercised in full), excluding Goods and Services Tax ("**GST**") on the Underwriting, Selling and Management Commission.

Risk Factors . . . . **Prospective investors should carefully consider certain risks connected with an investment in the Units, as discussed under "Risk Factors".**

Indicative Timetable

An indicative timetable for the Offering is set out below for the reference of applicants for the Units:

Date and time	Event
5 December 2006, 9 a.m.	Opening date and time for the Offering.
7 December 2006, 12 noon	Closing date and time for the Offering.
8 December 2006	Balloting of applications, if necessary. Commence returning or refunding of application monies to unsuccessful or partially successful applicants.
11 December 2006, at or before 2.00 p.m.	Completion of the acquisition of the Properties.
11 December 2006, 2.00 p.m.	Commence trading on a "ready" basis.
14 December 2006	Settlement date for all trades done on a "ready" basis on 11 December 2006.

The above timetable is indicative only and is subject to change. It assumes (i) that the closing date of the application list for the Public Offer (the "**Application List**") is 7 December 2006; (ii) that Listing Date is 11 December 2006; (iii) compliance with the SGX-ST's unitholding spread requirement; and (iv) that the Units will be issued and fully paid up prior to 2.00 p.m. on 11 December 2006. All dates and times referred to above are Singapore dates and times.

Trading in the Units through the SGX-ST on a "ready" basis will commence at 2.00 p.m. on 11 December 2006 (subject to the SGX-ST being satisfied that all conditions necessary for the commencement of trading in the Units through the SGX-ST on a "ready" basis have been fulfilled), as the completion of the acquisition of the Properties not already owned by First REIT is expected to take place at or before 2.00 p.m. on 11 December 2006 (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties"). If First REIT is terminated by the Manager or the Trustee under the circumstances specified in the Trust Deed prior to, or the acquisition of the Properties is not completed by 2.00 p.m. on 11 December 2006 (being the time and date of commencement of trading in the Units through the SGX-ST), the Offering will not proceed and the application monies will be returned in full (without interest or any share of revenue or other benefit arising therefrom and at each applicant's own risk and without any right or claim against First REIT, the Trustee, the Manager, the Joint Lead Managers, the Underwriters, the Unit Lender (also the Vendor) or the Sponsor).

In the event of any early or extended closure of the Application List or the shortening or extension of the time period during which the Offering is open, the Manager will publicly announce the same:

- *via* SGXNET, with the announcement to be posted on the Internet at the SGX-ST website: http://www.sgx.com; and
- in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

Investors should consult the SGX-ST announcement on the "ready" listing date on the Internet (at the SGX-ST website), INtv or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

The Manager will provide details and results of the Public Offer through SGXNET and in one or more major Singapore newspapers, such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*.

The Manager reserves the right to reject or accept, in whole or in part, or to scale down or ballot any application for Units, without assigning any reason for it, and no enquiry and/or correspondence on the decision of the Manager will be entertained. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

Where an application is rejected or accepted in part only or if the Offering does not proceed for any reason, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicant, at his own risk, and without any right or claim against First REIT, the Trustee, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor or the Unit Lender (also the Vendor).

Where an application is not successful, the full amount of the application monies will be refunded (without interest or any share or revenue or other benefit arising therefrom) to the applicant, at his own risk within 24 hours after the balloting of applications (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix K—"Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore").

Where an application is accepted in full or in part only, any balance of the application monies will be refunded (without interest or any share or revenue or other benefit arising therefrom) to the applicant, at his own risk, within 14 Market Days after the completion of the Offering (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix K—"Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore").

Where the Offering does not proceed for any reason, the full amount of application monies (without interest or any share or revenue or other benefit arising therefrom) will, within three Market Days after the Offering is discontinued, be returned to the applicants at their own risk (provided that such refunds in relation to applications in Singapore are made in accordance with the procedures set out in Appendix K—"Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore").

Profit Forecast and Profit Projection

The following is an extract from "Profit Forecast and Profit Projection". Statements in this extract that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out on pages 65 to 71 of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by First REIT, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor, the Trustee or any other person, nor that these results will be achieved or are likely to be achieved. (See "Forward-Looking Statements" and "Risk Factors"). Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.

None of First REIT, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor, the Trustee or the Unit Lender guarantees the performance of First REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and projected yields stated in the following table are calculated based on (i) the Offering Price, and (ii) the assumption that Listing Date is 1 October 2006. Such yields will vary accordingly if Listing Date is after 1 October 2006 and in relation to investors who purchase Units in the secondary market at a market price that differs from the Offering Price.

The following table below sets forth First REIT's forecast and projected consolidated statements of total return for the Forecast Period 2006 and the Projection Year 2007 respectively. The financial year-end of First REIT is 31 December. For the purpose of the profit forecast and profit projection, First REIT's first accounting period is assumed to be for the period from 1 October 2006 to 31 December 2006. The profit forecast and profit projection will be different if the date of establishment differs from 1 October 2006 or if the end of the first financial period differs from 31 December 2006. The profit forecast and profit projection should be read together with the report set out in Appendix B—"Independent Accountants' Report on the Profit Forecast and Profit Projection" as well as the assumptions and the sensitivity analysis set out in "Profit Forecast and Profit Projection".

Forecast and Projected Distributions to Unitholders

	Forecast Period 2006 (1 October 2006 to 31 December 2006)	Projection Year 2007 (1 January 2007 to 31 December 2007)
	S$'000	S$'000
Total return for the period after income tax before distribution	55,894	17,089
Add back / (Less) non-cash items:		
—Management fees[1]	149	611
—Surplus on revaluation of investment properties net of deferred tax[2]	(51,890)	—
Total distribution to Unitholders	**4,153**	**17,700**
Unitholders' distribution:		
—as distributions from operations	3,636	15,630
—as return of capital	517	2,070
Total Unitholders' distribution	**4,153**	**17,700**

	Forecast Period 2006 (1 October 2006 to 31 December 2006)	Projection Year 2007 (1 January 2007 to 31 December 2007)
	Based on the Offering Price of S$0.71	Based on the Offering Price of S$0.71
Number of Units eligible for distribution ('000)[3]	271,400[5]	271,610[6]
Distribution per Unit (cents)	1.53	6.51
Offering Price per Unit (S$)	0.71	0.71
Annualised distribution yield (%)[4]	**8.62**	**9.17**

(footnotes on following page)

Notes:

(1) This relates to the portion of the management fees which are payable in the form of Units.

(2) It is assumed that all of the ordinary shares and redeemable preference shares of the four Singapore SPCs are purchased at a total consideration of approximately S$182.9 million based on the Offering Price. The surplus on revaluation of the investment properties relates to the revaluation of the Properties to their fair value of S$257.0 million based on the value appraised by Knight Frank immediately upon their acquisition. The fair value of S$257.0 million is based on the appraised value of the Properties by Knight Frank for the reasons stated on page 9 of this Prospectus. It is assumed that there is no change in the fair value of the Properties, and that there is no change in the exchange rate between the Singapore Dollar and the Indonesian Rupiah as at the end of the Forecast Period 2006 and the Projection Year 2007. Notwithstanding whether the valuation of Knight Frank or HVS International is adopted, such adoption has no impact on the distributions to Unitholders.

(3) The increase in the number of Units in the Projection Year 2007 is due to the issue of Units to the Manager for the payment of 50.0% of the Manager's Performance Fees for the Forecast Period 2006 in the form of Units. These Units are assumed to be issued at the Offering Price.

(4) Annualised for the Forecast Period 2006.

(5) Based on the number of Units that are assumed to be in issue as at Listing Date. It is assumed that the number of Units eligible for distribution is the same throughout the Forecast Period 2006.

(6) Based on the number of Units that are assumed to be in issue on 1 January 2007. It is assumed that the number of Units eligible for distribution is the same throughout the Projection Year 2007.

RISK FACTORS

Prospective investors should consider carefully, together with all other information contained in this Prospectus, the factors described below before deciding to invest in the Units.

This Prospectus also contains forward-looking statements (including profit forecast and profit projection) that involve risks, uncertainties and assumptions. The actual results of First REIT could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by First REIT as described below and elsewhere in this Prospectus.

As an investment in a REIT is meant to produce returns over the long-term, investors should not expect to obtain short-term gains.

Investors should be aware that the price of Units, and the income from them, may fall or rise. Investors should note that they may not get back their original investment.

Before deciding to invest in the Units, prospective investors should seek professional advice from their relevant advisers about their particular circumstances.

Risks Relating to First REIT's Operations

The Properties are located in Indonesia, and other potential acquisitions by First REIT may be located elsewhere regionally. This exposes First REIT to economic and real estate market conditions and changes in fiscal policies in such other countries.

First REIT is a Singapore-based real estate investment trust 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, whether wholly or partially, and whether directly or indirectly through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

All of the Properties are situated in Indonesia. As a result, First REIT's Gross Revenue (as defined herein) and results of operations depend to a large extent on the performance of the Indonesian economy. An economic decline in Indonesia could adversely affect First REIT's results of operations and financial growth. Political upheavals, natural disasters, insurgency movements, riots and governmental policies all play a pivotal role in the performance of the Properties. (See "—Risks Relating to Indonesia.")

Investment in properties in other countries will expose First REIT to the local real estate market conditions in these countries. An economic decline in any one or more of the countries in which the properties of First REIT are located could adversely affect First REIT's results of operations and future growth.

Other local real estate market conditions which may adversely affect the performance of First REIT include the attractiveness of competing healthcare properties, or an oversupply or reduced demand for healthcare properties. First REIT may also be exposed to risks associated with exchange rate fluctuations between the Indonesian Rupiah or the local currency of foreign countries in which First REIT invests in and the Singapore dollar.

Furthermore, First REIT will be subject to foreign real estate laws, regulations and policies as a result of its property investments in foreign countries. There may be negative impact on a property owned by First REIT in a foreign country as a result of measures and policies adopted by the relevant foreign governments and regulatory authorities at national, provincial or local levels, such as governmental control over property investments or regulations in relation to foreign exchange. Legal protection and recourse available to First REIT in certain countries may be limited.

In addition, the income and gains derived from investment in properties in other countries will be subject to various types of tax in such countries, including income tax, withholding tax, capital gains tax and any other tax that may be imposed specifically for ownership of real estate. All of these taxes, which are subject to changes in laws and regulations that may lead to an increase in tax rates or the introduction of new taxes, could adversely affect and erode the returns from these properties and hence the distribution to Unitholders.

There is also no assurance that First REIT will be able to repatriate to Singapore the income and gains derived from investment in properties outside Singapore on a timely and regular basis. Any inability to repatriate the income and gains to Singapore will affect First REIT's ability to make distributions to Unitholders out of such income and gains.

First REIT is solely dependent on the Sponsor, as Master Lessee, for rental payments.

First REIT is dependent on rental payments from the Master Lessee, as First REIT does not directly operate the Properties. As at Listing Date, First REIT's portfolio will comprise only the four Properties, out of which one Property, being Siloam Hospitals Lippo Karawaci, is expected to contribute 48.4% of the rental income of First REIT for the Forecast Period 2006 and the Projection Year 2007. The Master Lessee is the sole tenant of each of the Properties. Therefore, First REIT's revenue and ability to make distributions to the Unitholders will depend solely upon the ability of the Master Lessee to make rental payments. As such, the prospects of the Master Lessee's other businesses, aside from those relating to First REIT, could impact on the Master Lessee's ability to make rental payments to First REIT.

Factors that affect patients and guests volumes at the Properties and, thereby, the ability of the Master Lessee to meet its obligations include, but are not limited to:

- unemployment levels;
- the business environment of local communities;
- the number of uninsured and underinsured individuals in local communities;
- seasonal cycles of illnesses;
- recruitment, retention and attrition of medical professionals such as doctors and nurses;
- local healthcare competitors and competition in the healthcare industry;
- unfavourable publicity that impacts relationships between physicians and patients;
- the level of demand for hospitals and hotels and the related services of First REIT's Properties;
- the performance of the Manager;
- material losses in excess of insurance proceeds; and
- a possibility of union activities disrupting the operations of the Properties, severely impacting on its reputation and ability to function normally.

(See also "Pro Forma Combined Financial Information of the Carved Out Segment of the Sponsor for the Financial Year Ended 31 December 2005 and the Six Months Ended 30 June 2006".)

There can be no assurance that the Master Lessee will have sufficient assets, income and access to financing in order to enable it to satisfy its obligations under the respective Master Lease Agreement.

The Master Lessee may not renew its leases of the Properties.

No assurance can be given that the Master Lessee will exercise any option to renew its leases of the Properties upon the expiry of the initial 15-year term of the Master Leases. In such a situation, First REIT may not be able to locate a suitable purchaser of the Properties or a suitable replacement master lessee, as a result of which First REIT may lose a significant or its only source of revenue. In addition, replacement of the Master Lessee on satisfactory terms may not be possible in a timely manner.

The failure to renew the Master Lease Agreements, or the termination of any of these Master Lease Agreements, may have a material adverse effect on First REIT's Gross Revenue.

Under the current rental step-up formula in the Master Lease Agreements, Unitholders may not be entitled to the full benefits of upside in the relevant Indonesian property market in terms of the distributions which they receive from First REIT.

Under the terms of the Master Lease Agreements, each of the Properties is under a master lease comprising a term of 15 years (with an option for the Master Lessee to renew for a further term of 15 years on the same terms and conditions save for rent). The rent for each of the Properties comprises a base rent and a variable rent, save for the first year (being the period commencing on Completion Date and ending on (and including) the day immediately preceding the first anniversary date of Completion Date) where the rent comprises only the base rent. The base rent is subject to an increase every year at a rate equal to two times the percentage increase of the CPI of Singapore for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0% while the variable rent is calculated based on a percentage of the growth of the Master Lessee Gross Revenue in the preceding calendar year.

During the initial 15-year term of the Master Lease Agreements, if the relevant Indonesian property market exhibits higher growth than the rental step-up provided above, Unitholders will not be entitled to the full benefits of such upside in terms of the distributions which they receive from First REIT.

The Manager is a subsidiary of the Sponsor, which is also the Master Lessee of the Properties. There are potential conflicts of interest amongst First REIT, the Manager and the Sponsor.

The Manager is 10.0% directly owned by Battery Road Limited, 10.0% directly owned by Golden Decade International Limited, and 80.0% directly owned by LK REIT Management Ltd, which is a wholly-owned subsidiary of the Sponsor. As such, the Manager is a subsidiary of the Sponsor (see "The Sponsor"). Furthermore, Mr Chan Kin, a director of the Manager, currently owns an indirect shareholding in, and is also the Managing Director of, Argyle Street Management Limited. One of the Cornerstone Investors, ASM Funds, is managed by Argyle Street Management Limited, and indirectly owns 10.0% of the Manager through its wholly-owned subsidiary, Battery Road Limited. In addition, Mr Mag Rainer Silhavy, a director of the Manager, is the General Manager and Chief Executive Officer of one of the Cornerstone Investors, RZB, which indirectly owns 10.0% of the Manager through its wholly-owned subsidiary, Golden Decade International Limited (see "Ownership of Units").

The Sponsor, *via* its ownership of the Vendor, will receive 75,000,000 Consideration Units upon completion of the Offering. In the event that any one or more of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units which they have committed to subscribe, such Units may be issued to either the Sponsor or at the option of the Sponsor, any of its subsidiaries, as part satisfaction of the cash component of the purchase consideration for the Properties. If all of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units, the Sponsor will have an aggregate effective interest in 131,000,000 Units (or approximately 48.3% of the Units expected to be in issue on Listing Date), assuming that the Over-allotment Option is not exercised at all or 111,000,000 Units (or approximately 40.9% of the Units expected to be in issue on Listing Date), assuming that the Over-allotment Option is exercised in full. The Sponsor, its subsidiaries and associates are engaged in, and/or may engage in, among other things, portfolio management, investment in, and the development, management and operation of, hospitals and hotels in Indonesia and elsewhere in the region. Furthermore, an affiliate of the Sponsor, PT. Lippo General Insurance Tbk, is providing insurance coverage for all of the Properties.

As a result, the strategy and activities of First REIT may be influenced by the overall interests of the Sponsor. Moreover, the Sponsor may in the future sponsor, manage or invest in other real estate investment trusts or other vehicles which may compete directly with First REIT. There can be no assurance that conflicts of interest will not arise between them in the future, or that First REIT's interests will not be subordinated to those of the Sponsor whether in relation to the future acquisition of properties or property-related investments or in relation to competition for tenants within the Indonesia market or regionally (see "The Manager and Corporate Governance—Related Party Transactions").

Furthermore, the Sponsor is the Master Lessee of the Properties under the terms of the Master Lease Agreements (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Master Lease Agreements"). There can be no assurance that the Sponsor, acting in its role as Master Lessee of the Properties, will not favour properties that it has retained in its own property portfolio or which it manages or operates over those owned by First REIT. This could lead to lower occupancy rates and/or lower rental income for the Properties and could adversely affect the Master Lessee's ability to make rental payments.

First REIT faces certain risks in connection with the acquisition of the Properties from the Sponsor, its subsidiaries and/or its related corporations.

The Properties have been indirectly acquired from the Sponsor, through the acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs. All of the Properties are situated in Indonesia. As a result, First REIT's Gross Revenue and results of operations depend, to a large extent, on the performance of the Indonesian economy. An economic decline in Indonesia could adversely affect First REIT's results of operations and financial growth. Political upheavals, natural disasters, insurgency movements, riots and governmental policies all play a pivotal role in the performance of the Properties (see "—Risks Relating to Indonesia").

First REIT may, directly or indirectly through the Singapore SPCs, acquire real estate or other assets from the Sponsor or parties related to the Sponsor. Although the Manager will take steps to ensure that transactions with the Sponsor are at arm's length, there can be no assurance that the terms on which the Properties are acquired or future acquisitions of real estate and other assets from the Sponsor are not or, as the case may be, will not be adverse to First REIT, or reflect or, as the case may be, will reflect, an arm's length acquisition of the Properties or future acquisitions by First REIT.

First REIT's strategy of investing primarily in healthcare assets may entail a higher level of risk compared to other types of unit trusts that have a more diverse range of investments.

First REIT's principal strategy is primarily focused on 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, whether wholly or partially, and whether directly or indirectly through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

As such, First REIT will be subject to risks inherent in concentrating on investments in a single industry. The level of risk could be higher compared to other types of unit trusts that have a more diverse range of investments.

A concentration of investments in a portfolio of such specific real estate assets in Indonesia and elsewhere regionally exposes First REIT to both a downturn in the real estate market as well as the healthcare industry in Indonesia and those in the relevant regions elsewhere. Such downturns may lead to a decline in occupancy for hospitals including those in First REIT's portfolio thereby affecting First REIT's rental income from the Master Lessee, and/or a decline in the capital value of First REIT's portfolio, which will have an adverse impact on distributions to the Unitholders and/or on the results of operations and the financial condition of First REIT.

There is no assurance that First REIT will be able to leverage on the Sponsor's experience in the operation of healthcare assets.

Upon completion of the Offering, the Sponsor will, through its indirect holding of the Vendor *via* LKC, hold up to approximately 27.6% of the outstanding Units, subject to the Over-allotment Option (see "Ownership of Units"). In the event that any one or more of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units which they have committed to subscribe, such Units may be issued to either the Sponsor or at the option of the Sponsor, any of its subsidiaries, as part satisfaction of the cash component of the purchase consideration for the Properties. If all of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units, the Sponsor will have an aggregate effective interest in 131,000,000 Units (or approximately 48.3% of the Units expected to be in issue on Listing Date), assuming that the Over-allotment Option is not exercised at all or 111,000,000 Units (or approximately 40.9% of the Units expected to be in issue on Listing Date), assuming that the Over-allotment Option is exercised in full.

The Vendor, LKC and the Sponsor have each agreed to (a) a lock-up arrangement in respect of their direct or indirect interests (as the case may be) in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the First Lock-up Period and (b) a lock-up arrangement in respect of 50.0% of their direct or indirect interests (as the case may be) in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the Second Lock-up Period, subject to certain exceptions (see "Plan of Distribution—Lock-up Arrangements"). However, there is no assurance that the Sponsor will not dispose of its direct or indirect interest in the Units following the expiry of the First Lock-Up Period and the Second Lock-Up Period. In the event that the Sponsor decides to transfer or dispose of its direct or indirect interest in the Units, First REIT may no longer be able to leverage on the Sponsor's experience in the ownership and operation of healthcare assets, financial strength, market reach and network of contacts in the healthcare industry to further its growth. In addition, First REIT may not be able to benefit from the range of corporate services which are available to owners of properties managed by the Sponsor. This will have a material and adverse impact on First REIT's results of operations and financial condition which may consequently affect its ability to make distributions to its Unitholders.

First REIT will operate substantially through the Singapore SPCs and the Indonesian SPCs and its ability to make distributions to Unitholders is dependent on the financial position of the Singapore SPCs.

First REIT will operate substantially through the Singapore SPCs and the Indonesian SPCs and will rely on payments and other distributions from the Singapore SPCs and the Indonesian SPCs for its income and cash flows. The ability of the Singapore SPCs to make such payments may be restricted by, among other things, the Singapore SPCs' and the Indonesian SPCs' respective business and financial positions, the availability of distributable profits, applicable laws and regulations or the terms of agreements to which they are, or may become, a party.

There can be no assurance that the Singapore SPCs will have sufficient distributable or realised profits or surplus in any future period to make dividend payments or make advances to First REIT. The level of profit or surplus of each Singapore SPC available for distribution by way of dividends to First REIT may be affected by a number of factors including:

- operating losses incurred by the Singapore SPCs in any financial year;
- losses arising from a revaluation of any of the Properties following any diminution in value of any of the relevant Properties. Such losses would adversely affect the level of profits from which the relevant Singapore SPC may distribute dividends;
- accounting standards that require profits generated from investment properties to be net of depreciation charges before such profits are distributed to First REIT;
- changes in accounting standards, taxation regulations, corporation laws and regulations relating thereto; and
- insufficient cash flows received by the Singapore SPCs from the Indonesian SPCs.

The occurrence of these or other factors that affect the ability of the Singapore SPCs to pay dividends or other distributions to First REIT may adversely affect the level of distributions paid to Unitholders.

The Properties require significant capital expenditure periodically and First REIT may not be able to secure funding.

The Properties and future properties to be acquired by First REIT may require periodic capital expenditures, refurbishments, renovation and improvements in order to remain competitive. Acquisitions or enhancement of existing properties by First REIT may require significant capital expenditure. While each of the Master Lease Agreements provide that all repair and replacement works in respect of the structural parts of the Properties and the mechanical and electrical equipment will be borne by the Master Lessee during the first two years, First REIT will, however, have to bear any capital expenditure incurred thereafter. First REIT may not be able to fund future acquisitions, capital improvements or expenditure, solely from cash provided from its operating activities and First REIT may not be able to obtain additional equity or debt financing or be able to obtain such financing on favourable terms or at all. Further distributions to Unitholders may also be adversely affected as a result.

First REIT may face risks associated with future debt financing.

As at Listing Date, First REIT has not incurred any borrowings. In the event that First REIT incurs any future borrowings, it will be subject to risks associated with debt financing, including the risk that its cash flow will be insufficient to meet required repayments of principal and interest under such financing as well as insufficient to make distributions to Unitholders.

First REIT will distribute 100.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts for the period from Listing Date to 31 December 2007. Thereafter, First REIT will distribute at least 90.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts. As a result of this distribution policy, First REIT may not be able to meet all of its obligations to repay any future borrowings through its cash flow from operations. As such, First REIT may be required to repay maturing debt with funds from additional debt, or equity financing, or both. There can be no assurance that such financing will be available on acceptable terms, or at all.

The Manager can give no assurance regarding the amount and timing of the payment of distributions, the extent of payout ratios or the composition of distributions or the material income tax considerations of distributions, as actual events are likely to differ from the assumptions used in assessing the ability of First REIT to pay these distributions.

In the event of any borrowings incurred, First REIT will also be subject to the risk that the terms of any refinancing undertaken will be less favourable than the terms of existing borrowings. In addition, First REIT may be subject to certain covenants in connection with any future borrowings that may limit or otherwise adversely affect its operations and its ability to make distributions to Unitholders. Such covenants may also restrict First REIT's ability to acquire properties or undertake other capital expenditure or may require it to set aside funds for maintenance or repayment of security deposits. Furthermore, if prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make loans in relation to healthcare and/or healthcare-related properties) result in higher interest rates upon refinancing, the interest expense relating to such refinanced indebtedness would increase, which may adversely affect First REIT's cash flow and the amount of distributions it could make to Unitholders.

In addition, borrowing in certain currencies, such as the Indonesian rupiah, may incur relatively high interest rates. First REIT may incur such high interest rates should it require funds in these currencies, e.g. to make payment in Indonesian rupiah to PT. Nusautama Medicalindo, the vendor of a property located in Medan in respect of which a non-binding memorandum of understanding has been entered (see "Strategy—Acquisition Growth Strategy").

Neither First REIT nor the Manager, as new entities, has an established operating history.

First REIT was established on 19 October 2006 and the Manager was incorporated on 17 May 2006. As such, neither First REIT (as a real estate investment trust) nor the Manager (as the manager of the real estate investment trust) has the relevant operating histories by which their past performance may be judged. This will make it more difficult for investors to assess First REIT's likely future performance. There can be no assurance that First REIT will be able to generate sufficient revenue from operations to make distributions or that such distributions will be in line with those set out in "Profit Forecast and Profit Projection".

The Manager may not be able to implement its investment strategy for First REIT.

First REIT's investment strategy envisages the 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, whether wholly or partially, and whether directly or indirectly through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

There can be no assurance that the Manager will be able to implement its investment strategy successfully or that it will be able to expand First REIT's portfolio at all, or at any specified rate or to any specified size. The Manager may not be able to make acquisitions or investments on favourable terms or within a desired time frame. First REIT faces active competition in acquiring suitable properties, especially in a low interest rate environment where other investment vehicles are highly leveraged. As such, First REIT's ability to make new property acquisitions under its acquisition growth strategy may be adversely affected.

First REIT will be relying on external sources of funding to expand its asset portfolio, which may not be available on favourable terms, or at all. Even if First REIT were able to successfully make additional property acquisitions or investments, there can be no assurance that First REIT will achieve its intended return on such acquisitions or investments. Since the amount of borrowings that First REIT can incur to finance acquisitions is limited by the Property Funds Guidelines, such acquisitions are likely to be largely dependent on First REIT's ability to raise equity capital, which may result in a dilution of Unitholders' holdings. Potential vendors may also take a negative view towards the prolonged time frame and lack of certainty generally associated with the raising of equity capital to fund any such purchase and may prefer other potential purchasers.

Future acquisitions may not yield the returns expected, resulting in disruptions to First REIT's business, straining of management resources and dilution of holdings.

First REIT's external growth strategy and its market selection process may not ultimately be successful and may not provide positive returns to Unitholders. Acquisitions may cause disruptions to First REIT's operations and divert management's attention away from day-to-day operations. New Units issued in connection with any new acquisition could also be substantially dilutive to Unitholders. In addition, the acquisitions themselves may not be yield accretive to Unitholders.

First REIT depends on certain key personnel, and the loss of any key personnel may adversely affect its operations.

First REIT's performance depends, in part, upon the continued service and performance of key staff members of the Manager. These key personnel may leave the Manager in the future and may potentially compete with the Manager and First REIT. The loss of any of these individuals, or of one or more of the Manager's other key employees, could have a material adverse effect on First REIT's financial condition and results of operations.

First REIT may suffer material losses in excess of insurance proceeds.

The Properties face the risks of suffering physical damage caused by fire or natural disaster or other causes, as well as facing potential malpractice or public liability claims, including claims arising from the operations of the Properties, all of which may not be fully compensated by insurance proceeds. First REIT will remain liable for any debt or other financial obligation related to a particular Property if there are material losses in excess of insurance proceeds. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

First REIT's properties could suffer physical damage caused by fire or other causes, or First REIT may suffer public liability claims, all of which may result in losses (including loss of rent) that may not be fully compensated by insurance proceeds. In addition, certain types of risks (such as war risk and losses caused by the outbreak of contagious diseases and contamination or other environmental breaches) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk. Currently, First REIT's insurance policies for the Properties do not cover acts of war, outbreak of contagious diseases or contamination or other environmental breaches. In addition, the Properties do not have insurance to cover claims arising out of their operations, or insurance to cover losses from business interruption at the Properties, as such insurance is not currently available in Indonesia.

Should an uninsured loss or a loss in excess of insured limits occur, First REIT could be required to pay compensation and/or lose capital which it had invested in the affected Property as well as anticipated future revenue from that Property. First REIT will also remain liable for any debt or other financial obligation related to that Property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

All of the Properties are subject to property taxes that may increase or capital gains taxes that may be imposed or incurred in the future, and adversely affect First REIT's Gross Revenue.

The Properties are subject to real and personal property taxes that may increase as property tax rates change and as the Properties are assessed or reassessed by tax authorities. If First REIT's property tax liabilities increase, its ability to make distributions to the Unitholders could also be adversely affected.

In addition, if First REIT disposes of the Properties at the level of the Indonesian SPCs holding the Properties, the Indonesian SPCs may be subjected to Indonesian capital gains taxes. Therefore, First REIT may be indirectly liable to pay these capital gains taxes.

Possible change of investment strategies, policies and capital structure, may adversely affect the Unitholders' investments in First REIT.

Subject to the rules of the Listing Manual, including the rule that the investment strategy must be adhered to for at least three years following Listing Date, the Trust Deed and the Property Funds Guidelines permit the Manager, after the initial three years following Listing Date and without the approval of the Unitholders, to alter First REIT's investment strategies and policies if it determines that such a change is in the best interests of First REIT and its Unitholders. The methods of implementing First REIT's investment strategies and policies may vary as new investment and financing techniques are developed or otherwise used. Any such changes may adversely affect the Unitholders' investment in First REIT.

The appraisals of the Properties are based on various assumptions and the price at which First REIT is able to sell a property may be different from the initial acquisition value of the property.

First REIT will use the net proceeds of the Offering to complete its acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs on the day of commencement of trading of the

Units on the SGX-ST, which is expected to be on Listing Date. The consideration paid by First REIT is based on the acquisition value of each of the Properties, which represent a certain level of discount to the appraised value of each of the Properties as determined by Knight Frank and HVS International (the "**Independent Valuers**").

There can be no assurance that the assumptions relied on are accurate measures of the market, and thus, the values of the Properties may have been evaluated inaccurately. In addition, the Independent Valuers may have included a subjective determination of certain factors relating to the Properties such as their relative market positions, financial and competitive strengths, and physical condition.

The appraised value of any of First REIT's Properties is not an indication of, and does not guarantee, a sale price at that value at present or in the future. The price at which First REIT may sell a Property may be lower than its purchase price.

Risks Relating to Investing in Real Estate

First REIT may be adversely affected by the illiquidity of real estate investments.

First REIT invests primarily in healthcare and healthcare-related assets. This involves a higher level of risk as compared to a portfolio which has a diverse range of investments. Real estate investments, particularly investments in high value properties such as those in which First REIT has invested or intends to invest in, are relatively illiquid. Such illiquidity may affect First REIT's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. For instance, First REIT may be unable to sell its assets on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets in order to ensure a quick sale. Moreover, First REIT may face difficulties in securing timely and commercially favourable financing in asset-based lending transactions secured by real estate due to the illiquid nature of real estate assets. These factors could have an adverse effect on First REIT's financial condition and results of operations, with a consequential adverse effect on First REIT's ability to deliver expected distributions to Unitholders.

First REIT's Properties and/or future acquisitions, or a part of them, may be acquired compulsorily.

First REIT may make future acquisitions in other countries, including, but not limited to, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong. The laws of these countries may also provide for a right by the governments of these countries to compulsorily acquire any land or property with no compensation to the owner, or for compensation to be made but below market value. Such compulsory acquisitions would have an adverse effect on the financial condition, operating results and the value of First REIT's asset portfolio.

In Indonesia, pursuant to Law No. 20 of 1961 concerning Revocation of Rights of Land and the Properties Thereon and in conjunction with Presidential Regulation No. 36 of 2005 (as amended by the Presidential Regulation No. 65 of 2006) concerning Land Procurement for the Development of Public Interest, the Indonesian government has the right to revoke any right over the land and any property thereon owned by any party, in order for the Indonesian government (including local governments) to fulfill any public needs. Therefore, there is no assurance that the Indonesian government will not compulsorily acquire the lands which the Properties are situated on.

There is no assurance that the HGB titles of the land on which the Properties are sited, can be renewed.

In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of 'leasehold' title. 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. The lands on which the Properties are built comprise 32 plots, which are held *via* HGB titles. The earliest expiry of the HGB titles to Siloam Hospitals Lippo Karawaci is in 2011 while the latest is in 2022. The HGB titles to Siloam Hospitals Surabaya expire at different times, with the earliest being 2009 and the latest being 2026. Siloam Hospitals West Jakarta has only one HGB title, and this HGB title expires in 2017 while for Imperial Aryaduta Hotel & Country Club, the earliest HGB title expires in 2012 and the latest in 2036.

There is no assurance that there will be approval for such renewal or extension in the future. The non-renewal of these HGB titles, for any reason, could either adversely affect the operations of the Properties or result in First REIT losing its ownership of the Properties.

First REIT is dependent on the quality of the titles to the Properties.

Due to the immature nature of Indonesian property law and the lack of a uniform title system in Indonesia, there is potential for disputes over the quality of title purchased from previous landowners. In addition, there is a need to negotiate with the actual owner of the land each time land is acquired under a licence, which may result in purchases of property (and thereby the obtaining of title to the relevant land) being delayed or not proceeding in the event that negotiations are unsuccessful. Such delays in acquiring properties required for development activities could have an adverse effect on First REIT's business, financial condition and results of operations.

First REIT's acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs may be subject to risks associated with the acquisition of new properties and shares in property holding companies.

While the Manager believes that reasonable due diligence investigations have been conducted with respect to the ordinary shares and redeemable preference shares in the Singapore SPCs and the Properties prior to acquisition of the ordinary shares and redeemable preference shares in the Singapore SPCs, there can be no assurance that such shares in the Singapore SPCs or the Properties will not have certain defects or deficiencies. In addition, some of the Properties may be in breach of laws and administrative regulations including those in relation to real estate which the Manager's due diligence investigations did not uncover or may not comply with certain regulatory requirements. As a result, First REIT may incur additional financial or other obligations in relation to such defects or deficiencies.

In particular, the representations, warranties and indemnities granted in favour of First REIT by the Vendor are subject to limitations as to their scope and as to the amount and timing of claims which can be made thereunder. There can be no assurance that First REIT will be entitled to be reimbursed under such representations, warranties and indemnities for all and any losses or liabilities suffered or incurred by it as a result of its acquisition of First REIT's assets.

Risks Specific to the Hospitals

Hospitals are subject to unique risks.

An investment in Units should be made with an understanding of the problems and risks inherent in the healthcare industry in general. Generally, hospitals are subject to governmental regulation of their medical and surgical services, a factor which could have a significant and possibly unfavourable effect on the price and availability of such services. Furthermore, hospitals face the risk of increasing competition from new products or services and the risk that technological advances will render their medical and surgical services obsolete. The rising cost of healthcare technology may adversely impact the revenue of the Hospitals as well. Hospitals may also have persistent losses when adopting a new medical or surgical service, and revenue patterns may be erratic as a result. In addition, hospitals may be affected by events and conditions including, among other things, demand for services, physicians' confidence in the facility, management capabilities, competition with other hospitals, efforts by insurers to limit charges, expenses, government regulation, and the cost and possible unavailability of malpractice insurance.

If the gross revenues of the Hospitals are adversely affected because of these risks, there will consequently be an impact on the Master Lessee's ability to make rental payments to First REIT.

The outbreak of avian flu, SARS, or other potentially life-threatening illnesses or contamination may affect the Hospitals.

The outbreak of avian flu, SARS, other potentially life-threatening infectious illnesses or contamination may lead the government to impose regulations on hospitals, affecting their normal routine of operations and possibly leading to lower numbers of patients who are willing to visit the hospitals.

In addition, should patients infected with such illnesses be housed in any of the Hospitals, the Hospital could see a negative impact in its reputation, resulting in a lower number of people who are willing to visit that Hospital for other kinds of medical or surgical treatment. This may have a consequent adverse effect on the Master Lessee's ability to make rental payments to First REIT.

Operations of the Hospitals are dependent upon the Hospitals' ability to attract and retain doctors and other healthcare professionals.

Operations at the Hospitals depend on the efforts, abilities and experience of the doctors and medical staff at the hospitals. The Hospitals compete with other healthcare providers, including the providers located in the region, in recruiting and retaining qualified doctors and other healthcare professionals. While Indonesian law does not permit hospitals to employ foreign doctors without prior approval from the Minister of Health, Indonesian doctors and nursing staff are regularly recruited by competitors outside Indonesia. The loss of some of these medical personnel, or the inability to attract or retain sufficient numbers of qualified doctors and other healthcare professionals, could have a material and adverse effect on the healthcare business, financial position and results of the operations, and consequently on the Master Lessee's ability to pay rent to First REIT.

The Hospitals may be subject to potential malpractice, negligence and other legal lawsuits.

The Hospitals run the risk of medical and legal claims and/or regulatory actions arising from the provision of healthcare services. The existence of such claims alone may tarnish the reputation of the Hospitals and/or their doctors. If such claims succeed, the Hospitals may be liable for fines or even closure. In addition, there may be difficulty obtaining and maintaining adequate liability and other insurance. These consequences may adversely affect the financial conditions and operating results of the Master Lessee, which could consequently impede its ability to make rental payments to First REIT.

Changes in or non-adherence to government healthcare regulations could impact First REIT indirectly.

Healthcare is an area that is subject to extensive government regulation and dynamic regulatory changes. The Hospitals are continuously subject to laws and regulations, including, but not limited to, licensing, facility inspections, reimbursement policies and control over certain expenditures. There may be periodic inspections by governmental and other authorities to ensure continued compliance with such laws and regulations. Failure to maintain required regulatory approvals or licences could materially and adversely affect the Master Lessee's business and financial condition. Such compliance will increase operating expenses, which can diminish the Master Lessee's ability to make rental payments to First REIT.

In addition, there can be no assurance that there will not be changes in such laws and regulations, or new interpretations of such laws and regulations which may adversely affect the operations of the Hospitals, consequently having a negative impact on the Master Lessee's ability to make rental payments to First REIT.

Operations of the Hospitals are subject to environmental risks.

The Hospitals may contain, or their operations may utilise, certain materials, processes or installations which are regulated pursuant to environmental laws and regulations, or may require environmental permits from regulatory authorities. These items include, but are not limited to, medical or infectious waste, incinerators, and small amounts of friable asbestos-containing materials. These environmental laws and regulations may also impose liability on the Master Lessee for removal or remediation of hazardous or toxic substances. As a result, the Master Lessee may also be liable for government fines and damages for injuries to persons, natural resources and adjacent property. The Master Lessee's operating expenses could be higher than anticipated due to the cost of complying with existing and future environmental and occupational health and safety laws and regulations. Such cost of complying with environmental laws could materially affect the Master Lessee's ability to make rental payments to First REIT, impacting on First REIT's ability to make distributions to the Unitholders.

The Sponsor has, under the terms of the Master Lease Agreements, undertaken to indemnify the landlords against all claims. However, in the event should the Sponsor fail to do so, First REIT may be implicated.

Although the Hospitals will take all steps to comply with the laws and regulations in connection with such materials, processes or installations, there is no assurance that environmental liabilities will not exist in the future, or that any of such environmental liabilities will not be material to the Hospitals and/or First REIT.

Risks Specific to Imperial Aryaduta Hotel & Country Club

Seasonality of business at Imperial Aryaduta Hotel & Country Club may adversely affect results of operations of the property.

Imperial Aryaduta Hotel & Country Club is located near Siloam Hospitals Lippo Karawaci and is a popular choice with out-of-town inpatients, outpatients and day-surgery patients, as well as their families.

Fluctuations in the number of patients at Siloam Hospitals Lippo Karawaci, may therefore indirectly impact on the occupancy rate of Imperial Aryaduta Hotel & Country Club. There is no assurance of long-term occupancy for the hotel rooms. This may affect First REIT's financial condition and ability to make distributions to the Unitholders.

In addition, the number of hotel guests may fluctuate due to other factors, including, but not limited to:

- factors affecting tourism in Indonesia in general;
- the general economic situation of the region;
- the threat of terrorism in Indonesia; and
- any conventions or conferences held in Jakarta.

Risks Relating to Indonesia

Political and social instability may adversely affect the operations of the Properties, which could consequently affect the ability of the Master Lessee to make rental payments to First REIT.

All of the Properties in First REIT's initial asset portfolio are located in Indonesia. The Manager's asset acquisition strategy also contemplates future acquisitions of properties located in, amongst other countries, Indonesia.

There is no assurance that Indonesia's political landscape will not change and give rise to political instability, social and civil unrest, and disruption of businesses and the economy. These could have adverse effects on the operations of the Properties, consequently impacting on the ability of the Master Lessee to make rental payments to First REIT.

Terrorist attacks in Indonesia could destabilise the country.

Terrorist acts could destabilise Indonesia and increase internal divisions within the Indonesian Government as it evaluates responses to that instability and unrest. Violent acts arising from, and leading to, instability and unrest have in the past had, and may continue to have, a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, and may have a material adverse effect the Master Lessee's business, financial condition, results of operations and prospects. This could adversely impact on the Master Lessee's ability to make rental payments to First REIT.

Economic changes in Indonesia may adversely affect the Master Lessee's business.

The economic crisis which affected Southeast Asia, including Indonesia, from mid-1997 was characterised in Indonesia by, among other effects, currency depreciation, negative economic growth, high interest rates, social unrest and extraordinary political developments. These conditions had material adverse effects on Indonesian businesses.

The economic difficulties faced by Indonesia during the Asian economic crisis in 1997 resulted in, among other things, significant volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness.

Indonesia also relies heavily on aid from the International Monetary Fund ("**IMF**"), loans from the World Bank and the members of the Paris Club, as well as from the Consultative Group for Indonesia ("**CGI**"). The inability of the Indonesian Government to obtain adequate funding, in the event of a termination of the

IMF program, or a reduction or elimination of funding from the World Bank or the CGI, could have adverse economic, political and social consequences in Indonesia, which in turn, could have a material adverse effect on the Master Lessee's business, financial condition, results of operations and prospects.

A loss of investor confidence in the financial system of emerging and other markets, may cause increased volatility in the Indonesian financial markets, and a slowdown or negative growth could have material adverse effects on the Master Lessee's business, financial condition, results of operations and prospects.

Demand for healthcare services are largely dependent on the financial strength of patients and their willingness to pay for private healthcare services. A slowdown in the economy or a high unemployment rate may see more people opting for standardised low-cost public healthcare services available at government hospitals.

The Singapore-Indonesia tax treaty may be applied in a manner adverse to the interests of the Unitholders.

The Indonesian tax rules generally require a 20.0% tax to be withheld on the payment of a dividend or interest from an Indonesian taxpayer to an offshore tax resident. Under the double tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to 10.0% on the payment of a dividend or interest to a Singapore tax resident which is the beneficial owner of the income. The reduced rate is available to a Singapore company only if the company submits an original copy of the certificate of domicile to the Indonesian payor prior to the payment of the income.

On 7 July 2005, the Directorate General of Taxation in Indonesia issued a circular letter indicating that the benefits of Indonesia's double tax treaties would not be available to a recipient of Indonesian-sourced income that was not the beneficial owner of such income. The circular letter further elaborated that a "special purpose vehicle" which is a "conduit company", "paper box company", "pass through company", or any similar form of entity would not qualify as the beneficial owner of payments received by it.

The independent tax advice from PB & Co., the Independent Indonesian Tax Adviser, sets out that the reduced withholding tax rate of 10.0% should apply to the payment of interest and dividends to a Singapore tax-resident beneficial owner. It remains uncertain as to whether the Indonesian tax authorities will view the Singapore SPCs as the beneficial owners of the interest and dividends. If the Singapore SPCs are not viewed as the beneficial owners, it should still be possible to obtain the reduced withholding tax rate to the extent that Singapore tax residents (or any other jurisdiction with the same tax rate under their respective double tax treaty) are the Unitholders of First REIT. If the higher withholding tax rate of 20.0% applies to the dividend and interest payments from the Indonesian SPCs, this will lower the income paid to the Singapore SPCs and in turn may adversely affect the financial results of First REIT and its distributions to Unitholders.

The Indonesian legal system is subject to considerable discretion and uncertainty.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws are historically based on Dutch law as in effect prior to Indonesia's independence in 1945, and some of these laws have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts may be unfamiliar with sophisticated commercial or financial transactions, leading to uncertainty in the interpretation and application of legal principles in Indonesia. The application of legal principles in Indonesia depends upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion and uncertainty. Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources. In addition, Indonesian legal principles relating to the rights of debtors and creditors, or their practical implementation by Indonesian courts, differ materially from those that would apply in, for example, Singapore, the United States or the European Union. As a result, it may be more difficult for the Trustee, on behalf of First REIT, to pursue a claim against the Master Lessee in Indonesia than it would be in other jurisdictions, such as in Singapore. This may adversely affect or eliminate entirely First REIT's ability (and indirectly, the ability of its Unitholders) to obtain and/or enforce a judgment against the Master Lessee in Indonesia.

Indonesia is located in an earthquake zone and is subject to significant geological risk.

The Indonesian archipelago is one of the most volcanically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive earthquakes and tidal waves. On 26 December 2004, an underwater earthquake off the coast of Sumatra released a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster. Aftershocks from the December 2004 tsunami have also claimed casualties.

There can be no assurance that future geological occurrences will not significantly impact the operations of the Properties. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and the operations of the Properties, thereby materially and adversely affecting the Master Lessee's ability to make rental payments to First REIT.

Labour activism and unrest may materially and adversely affect the Properties.

Laws permitting the formation of labour unions, combined with weak economic conditions, have resulted, and may continue to result, in labour unrest and activism in Indonesia. In March 2003, the Government enacted Law No. 13/2003 (the "**Labour Law**") that requires further implementation of regulations that may substantively affect labour relations in Indonesia.

The Labour Law requires bipartite forums with participation from employers and employees, and the participation of more than 50.0% of the employees of a company, in order for a collective labour agreement to be negotiated and, in addition, the Labour Law creates procedures that are more permissive to the staging of strikes.

Labour unrest and activism in Indonesia could disrupt operations of the Properties, and thus could materially and adversely affect the Master Lessee's ability to make rental payments to First REIT.

Risks Relating to an Investment in the Units

Sale or possible sale of a substantial number of Units by the Sponsor or the Cornerstone Investors in the public market following the lapse of any applicable lock-up arrangements could adversely affect the price of the Units.

Units will be tradable on the Main Board of the SGX-ST. If the Cornerstone Investors, the Sponsor or the Vendor and/or any of their transferees of the Units (following the lapse of any applicable respective lock-up arrangement, or pursuant to any applicable waivers) sells or is perceived as intending to sell a substantial amount of its Units, or if a secondary offering of the Units is undertaken in connection with an additional listing on another securities exchange, the market price for the Units could be adversely affected (see "Plan of Distribution—Lock-up Arrangements" and "Ownership of the Units").

First REIT may not be able to make distributions to Unitholders or the level of distributions may fall.

The net operating profit earned from real estate investments depends on, among other factors, the amount of rental income received, and the level of property, operating and other expenses incurred. If the properties which are directly or indirectly held by First REIT do not generate sufficient net operating profit, First REIT's income, cash flow and ability to make distributions will be adversely affected. In addition, if the Singapore SPCs have insufficient cash flows or distributable profits or surplus, or the Singapore SPCs do not make the expected level of distributions in any financial year, this will adversely affect First REIT's income, cash flow and ability to pay or maintain distributions to Unitholders.

No assurance can be given as to First REIT's ability to pay or maintain distributions. Neither is there any assurance that the level of distributions will increase over time, that there will be contractual increases in rent under the leases of the Properties or that the receipt of rental income in connection with expansion of the properties or future acquisitions of properties will increase First REIT's cash flow available for distribution to Unitholders.

Market and economic conditions may affect the market price and demand for the Units.

Movements in domestic and international securities markets, economic conditions, foreign exchange rates and interest rates may affect the market price of, and demand for, the Units. In particular, an increase in market interest rates may have an adverse impact on the market price of the Units if the annual yield on the price paid for the Units gives investors a lower return compared to other investments.

The net asset value per Unit may be diluted if further issues are priced below the current net asset value per Unit.

The Trust Deed contemplates that new issues of Units may occur, the Offering Price for which may be above, at or below the then current net asset value per Unit. Where new Units, including Units which may be issued to the Manager in payment of the Manager's management fees, are issued at less than the net asset value per Unit, the net asset value of each existing Unit may be diluted.

The laws, regulations and accounting standards in Singapore, Indonesia or countries in which future acquisitions may be situated, may change.

First REIT may be affected by the introduction of new or revised legislation, regulations or accounting standards. Accounting standards in Indonesia and Singapore are subject to changes as accounting standards in both countries are further aligned with international accounting standards. As a result, the financial statements of First REIT and the Singapore SPCs may be affected by the introduction of such revised accounting standards. The extent and timing of these changes in accounting standards are currently unknown and subject to confirmation by the relevant authorities. The Manager has not quantified the effects of these proposed changes and there can be no assurance that these changes will not have a significant impact on the presentation of First REIT's financial statements or on First REIT's results of operations. In addition, such changes may adversely affect the ability of First REIT to make distributions to Unitholders. There can be no assurance that any such changes to laws, regulations and accounting standards will not have an adverse effect on the ability of the Manager to carry out First REIT's investment strategy or on the operations and financial condition of First REIT.

Foreign Unitholders may not be permitted to participate in future rights issues by First REIT.

The Trust Deed provides that in relation to any rights issue, the Manager may, in its absolute discretion, elect not to extend an offer of Units under a rights issue to those Unitholders whose addresses, as registered with CDP, are outside Singapore. The rights or entitlements to the Units to which such Unitholders would have been entitled will be offered for sale and sold in such manner, at such price and on such other terms and conditions as the Manager may determine, subject to such other terms and conditions as the Trustee may impose. The proceeds of any such sale, if successful, will be paid to the Unitholders whose rights or entitlements have been so sold, provided that where such proceeds payable to the relevant Unitholders are less than S$10.00, the Manager is entitled to retain such proceeds as part of the Deposited Property. The holding of the relevant holder of the Units may be diluted as a result of such sale.

The actual performance of First REIT and the Properties could differ materially from the forward-looking statements in this Prospectus.

This Prospectus contains forward-looking statements regarding, among other things, forecast and projected distribution levels for the period from 1 October 2006 to 31 December 2007. These forward-looking statements are based on a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside of the Manager's control (see "Profit Forecast and Profit Projection—Assumptions"). In addition, First REIT's revenue is dependent on a number of factors including the receipt of dividends and redemption proceeds from the Singapore SPCs and rent from the Properties held through the Singapore SPCs, which may decrease for a number of reasons including the lowering of occupancy and rental rates, insolvency or delay in rent payment by tenants. This may adversely affect First REIT's ability to achieve the forecast and projected distributions as some or all events and circumstances assumed may not occur as expected, or events and circumstances may arise which are not currently anticipated. Actual results may be materially different from the forecast and projection. No assurance can be given that the assumptions will be realised and the actual distributions will be as forecast and projected.

Unitholders may bear the effects of rollover adjustments on tax-exempt income distributed in prior periods.

Distributions out of tax-exempt income will be based on the amount of tax-exempt income that First REIT expects to receive from the Singapore SPCs which in turn depends on the amount of tax-exempt income the Singapore SPCs expect to receive from the Indonesian SPCs. In the event that the actual amount of tax-exempt income received by First REIT is lower than the amount that it has expected to receive, the difference will be deducted from the amount of tax-exempt income available for subsequent distribution to Unitholders. Similarly, if First REIT distributes gains realised from the disposal of its shareholdings in the Singapore SPCs and such gains are subsequently assessed to tax as trading gains by the Inland Revenue Authority of Singapore ("**IRAS**"), Unitholders in subsequent distribution periods will bear the incidence of such adjustments or taxes (see "Distributions").

The Manager is not obliged to redeem Units

Unitholders have no right to request the Manager to redeem their Units while the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their listed Units through trading on the SGX-ST.

The Units have never been publicly traded and the listing of the Units on the Main Board of the SGX-ST may not result in an active or liquid market for the Units.

Prior to the Offering, there is no public market for the Units and an active public market for the Units may not develop or be sustained after the Offering. While the Manager has received a letter of eligibility from the SGX-ST to have the Units listed and quoted on the Main Board of the SGX-ST, listing and quotation does not guarantee that a trading market for the Units will develop or, if a market does develop, the liquidity of that market for the Units. Prospective Unitholders should view the Units as illiquid and should be prepared to hold their Units for an indefinite length of time. Further, it may be difficult to assess First REIT's performance against either domestic or international benchmarks.

There is no assurance that the Units will remain listed on the SGX-ST.

Although it is currently intended that the Units will remain listed on the SGX-ST, there is no guarantee of the continued listing of the Units. First REIT may not continue to satisfy any future listing requirements of the SGX-ST.

The Manager may change First REIT's investment strategy as there is no restriction on changes in such investment and financing strategies.

First REIT's policy with respect to certain activities, including investments and acquisitions, will be determined by the Manager. The Manager has stated its intention 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, including, but not limited to, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, whether wholly or partially, and whether directly or indirectly through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate. Such strategy may not be changed for a period of three years commencing from Listing Date (as the Listing Manual prohibits a departure from the Manager's stated investment strategy for First REIT for the said period unless otherwise approved by an Extraordinary Resolution passed by Unitholders). The Trust Deed grants the Manager wide powers of investing in other types of assets, including any real estate, real estate-related assets, as well as listed and unlisted securities in Singapore and other jurisdictions. There are risks and uncertainties with respect to the selection of investments and with respect to the investments themselves.

The rights of Unitholders are not identical to, and in some cases less protective than, the rights of shareholders under Singapore laws.

The rights of Unitholders are not identical to those granted to holders of shares in companies incorporated in Singapore.

For example, the Singapore Code on Takeovers and Mergers and the provisions of Sections 138 to 140 of the Securities and Futures Act do not apply to acquisitions of Units. As such, a person may acquire any number of Units without being required to make a general offer to acquire these Units held by other Unitholders. In such an event, there is a risk that Unitholders may not benefit from a possible premium price over the then prevailing market price of the Units.

The price of the Units may decline after the Offering.

The Offering Price of the Units is determined by agreement between the Manager and the Underwriters and may not be indicative of the market price for the Units after the completion of the Offering. The Units may trade at prices significantly below the Offering Price after the Offering. The trading price of the Units will depend on many factors, including:

- the perceived prospects of First REIT's business and investments and the Indonesian healthcare real estate market;
- differences between First REIT's actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projection;
- changes in general economic or market conditions;
- the market value of First REIT's assets;
- the perceived attractiveness of the Units against those of other equity or debt securities, including those not in the real estate sector;
- the balance of buyers and sellers of the Units;
- the future size and liquidity of the Singapore real estate investment trust market;
- any future changes to the regulatory system, including the tax system, both generally and specifically in relation to Singapore real estate investment trusts;
- the ability on the Manager's part to implement successfully its investment and growth strategies;
- foreign exchange rates; and
- broad market fluctuations, including weakness of the equity market and increases in interest rates.

For these and other reasons, the Units may trade at prices that are higher or lower than the net asset value per Unit. To the extent that First REIT retains operating cash flow for investment purposes, working capital reserves or other purposes, these retained funds, while increasing the value of its underlying assets, may not correspondingly increase the market price of the Units. Any failure on First REIT's part to meet market expectations with regard to future earnings and cash distributions may adversely affect the market price for the Units.

In addition, the Units are not capital-safe products and there is no guarantee that Unitholders can regain the amount invested. If First REIT is terminated or liquidated, it is possible that investors may lose a part or all of their investment in the Units.

USE OF PROCEEDS

The Manager intends to raise an aggregate of approximately S$139.4 million (based on the Offering Price of S$0.71 per Unit) from the Offering as well as from the issuance of Cornerstone Units.

The Manager intends to apply the total proceeds from the Offering and from the issuance of Cornerstone Units towards the following:

(i) payment of the cash portion of the purchase consideration to the Vendor for the acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs at completion under the Singapore SPC Share Purchase Agreements, taking into account that the purchase consideration will be partly satisfied by the issuance of Consideration Units to the Vendor; and

(ii) issue costs of the Offering, the Cornerstone Units and the Consideration Units.

The following tables, included for the purpose of illustration, sets out the intended source and application of the total proceeds from the Offering and from the issuance of the Cornerstone Units and the amount attributable to the issuance of the Consideration Units.

Based on the Offering Price of S$0.71 per Unit and estimated issue costs of the Offering, the Cornerstone Units and the Consideration Units and assuming that the Over-allotment Option has not been exercised:

Source	(S$'000)	Application	(S$'000)
Units under the Offering	99,684	Acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs at completion	182,872
Consideration Units[1]	53,250	Issue costs	9,822
Cornerstone Units	39,760		
Total	**192,694**	**Total**	**192,694**

Note:

(1) Value of Consideration Units to be issued to the Vendor on Listing Date, based on the Offering Price.

OWNERSHIP OF UNITS

Principal Unitholders of First REIT and their Unitholdings

The following table sets out the principal Unitholders of First REIT and their unitholdings immediately after the Offering and the issuance of the Consideration Units as well as the Cornerstone Units:

	Units owned after Offering (assuming that the Over-allotment Option is not exercised)		Units owned after Offering (assuming that the Over-allotment Option is exercised in full)	
	('000)	(%)	('000)	(%)
The Vendor[1]	75,000	27.6	55,000	20.3
Cornerstone Investors:				
RZB (*via* its wholly-owned subsidiary, Golden Rainbow International Limited)	25,000	9.2	25,000	9.2
ASM Funds	12,500	4.6	12,500	4.6
Quantum	12,500	4.6	12,500	4.6
Prima	6,000	2.2	6,000	2.2
Total for Cornerstone Investors	56,000	20.6	56,000	20.6
Public and institutional investors	140,400	51.7	160,400	59.1
Total	**271,400**	**100.0**	**271,400**	**100.0**

Note:

(1) The Vendor is wholly-owned by LKC which is in turn wholly-owned by the Sponsor. As such, LKC and the Sponsor will be deemed to be interested in the 75,000,000 Consideration Units directly held by the Vendor.

On Listing Date, the Vendor (also the Unit Lender), being a wholly-owned subsidiary of LKC and an indirect wholly-owned subsidiary of the Sponsor, will receive under the Singapore SPC Share Purchase Agreements, as part of the purchase consideration for the Properties and separate from the Offering, an aggregate of 75,000,000 Consideration Units constituting approximately 27.6% of the Units expected to be in issue on Listing Date, of which up to 20,000,000 Units, which constitute approximately 7.4% of the Units expected to be issued on Listing Date, will be lent to the Underwriters to cover the over-allotment of Units (if any).

The Sponsor, LKC, the Vendor and RZB have agreed to certain lock-up periods in respect of their direct or indirect interests (as the case may be) in relevant portions of the Units as at Listing Date, subject to certain exceptions (see "Plan of Distribution—Lock-up Arrangements").

The Cornerstone Investors (as set out below) have entered into Cornerstone Subscription Agreements with the Manager to subscribe for an aggregate of 56,000,000 Cornerstone Units at the Offering Price, conditional upon the Underwriting Agreement having been entered into and not having been terminated pursuant to its terms on or prior to the Settlement Date.

In the event that any one or more of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units which they have committed to subscribe, such Units may be issued to either the Sponsor or at the option of the Sponsor, any of its subsidiaries, as part satisfaction of the cash component of the purchase consideration for the Properties. If one or more Cornerstone Investors fail to subscribe and pay for the Cornerstone Units, the Underwriters reserve the right to procure alternative investors or to terminate the Underwriting Agreement. If all of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units, the Sponsor will have an aggregate effective interest of 131,000,000 Units (or approximately 48.3% of the Units expected to be in issue on Listing Date) assuming that the Over-allotment Option is not exercised at all, or 111,000,000 Units (or approximately 40.9% of the Units expected to be in issue on Listing Date) assuming that the Over-allotment Option is exercised in full.

Information on the Cornerstone Investors

RZB

The Raiffeisen Banking Group is a wholly and privately owned banking group in Austria. It operates on three levels: local Raiffeisen banks, the nine Raiffeisen regional banks (Raiffeisen Landesbanken) and Raiffeisen Zentralbank Österreich AG (RZB).

Set up for global business, RZB acts as the central institution of the Raiffeisen Banking Group. RZB is majority-owned (85.0%) by Raffeisen Regional Banks (co-operatives) and ultimately owned by Raiffeisen Local Banks.

RZB also holds 70.0% of Raiffeisen International, the holding company of the largest banking network of all Western banks in Central and Eastern Europe and has other shareholdings in the following:

- UNIQA, Austria's largest insurance company;
- Raiffeisen-Leasing International;
- Raiffeisen Bausparkasse, Austria's largest building society; and
- Raiffeisen Kapitalanlagegesellschaft, the asset management arm of the Raiffeisen Banking Group.

The RZB Group also provides a full range of commercial, investment and retail banking services in Central and Eastern Europe (CEE). In 1997, the representative office in Singapore (since 1984) was transformed into RZB's first branch office in Asia.

RZB will be subscribing for Cornerstone Units *via* its wholly-owned subsidiary, Golden Rainbow International Limited, and has also agreed to a lock-up arrangement in respect of its effective interest in its Cornerstone Units as at Listing Date during the First Lock-up Period, subject to certain exceptions (see "Plan of Distribution—Lock-up Arrangements.").

ASM Funds

The ASM Funds comprise ASM Asia Recovery (Master) Fund and ASM Hudson River Fund, both managed by Argyle Street Management Limited. Argyle Street Management Limited, established in 2001, is a fund management company based in Hong Kong specialising in investments in South East Asia and Greater China.

Quantum

Quantum Asset Management Pte Ltd is an exempt fund manager pursuant to paragraph 5(1)(d) of the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations 2002 of Singapore, engaged in the business of, *inter alia*, providing fund management services for high net worth individuals and institutional clients. It invests in Asia Pacific (ex Japan) equities and mezzanine financing.

Prima

Prima Portfolio Pte Ltd is the investment arm of Prima Limited, an international industrial group headquartered in Singapore. Established in 1961, Prima Limited began as one of Asia's pioneer flour millers and is today recognised as one of Asia's leading food corporations. Its businesses include flour milling, feed milling, food manufacturing and distribution, foodservice, licensing and franchising, baking and culinary education, bakery equipment distribution, information technology, research and development services, trading and investments. The Prima Group today has operations in Singapore, Sri Lanka, China, Hong Kong, Indonesia and Malaysia, and its products are exported to more than 20 countries. The group employs more than 4,000 people worldwide.

DISTRIBUTIONS

First REIT's current distribution policy is to distribute 100.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts, for the period commencing from Listing Date to 31 December 2007 and thereafter to distribute at least 90.0% of its tax-exempt income (after deduction of applicable expenses) and capital receipts. The tax-exempt income comprises dividends received or receivable from the Singapore SPCs, which are ultimately paid out of income derived by the Indonesian SPCs from the leasing of the Properties under the Master Lease Agreements to the Master Lessee. The capital receipts comprise amounts received by First REIT from the redemption of redeemable preference shares in the Singapore SPCs.

The actual proportion of tax-exempt income and capital receipts distributed to Unitholders beyond 31 December 2007 may be greater than 90.0% if the Manager believes it to be appropriate, having regard to First REIT's funding requirements, other capital management considerations and ensuring the overall stability of distributions.

After First REIT is admitted to the Main Board of the SGX-ST, First REIT will make distributions to Unitholders on a quarterly basis, with the amount calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. However, First REIT's first distribution after Listing Date will be for the period from Listing Date to 31 March 2007 and will be paid by the Manager on or before 31 May 2007. Subsequent distributions will take place on a quarterly basis.

In the event that there are gains arising from sales of real properties either directly or indirectly through the sales of the shares in the Indonesian SPCs or the Singapore SPCs, and only if such gains are surplus to the business requirements and needs of First REIT and their taxability or otherwise confirmed by the IRAS in the event that the gains arise from the sale of shares in the Singapore SPCs or from the sale of shares in the Indonesian SPCs by the Singapore SPCs, the Manager may, at its discretion, direct the Trustee to distribute such gains. Such gains, if not distributed, will form part of the Deposited Property.

First REIT's primary source of liquidity to fund distributions, payment of non-property expenses and other recurring capital expenditure will be from the receipts of Gross Revenue and any future borrowings.

Unitholders will be exempt from Singapore income tax on distributions made by First REIT out of its tax-exempt income. No Singapore withholding tax is applicable on such distributions.

Unitholders will not be subject to Singapore income tax on distributions made by First REIT out of its capital receipts (if any), comprising amounts received from redemption of redeemable preference shares in the Singapore SPCs. These distributions will be treated as a return of capital for Singapore income tax purposes. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gains arising from a subsequent disposal of the Units. If the amount distributed exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

In the event that First REIT disposes of its ordinary shares and redeemable preference shares in the Singapore SPCs or the Singapore SPCs dispose of their ordinary shares in the Indonesian SPCs or the Indonesian SPCs dispose of the Properties, distributions made out of the gains on disposal (if any), that is if the Manager exercises its discretion to distribute such gains, will:

- be exempt from Singapore income tax on Unitholders if the gains are ultimately received by First REIT as tax-exempt income;
- not be assessable to Singapore income tax on Unitholders if the gains are derived by First REIT and are determined to be capital gains for Singapore income tax purposes, unless the distribution is considered gains or profits of a trade or business carried on by a Unitholder, for example, if the Units are held as trading assets; or
- be assessable to Singapore income tax on Unitholders if the gains arise from the disposal of the ordinary shares and the redeemable preference shares in the Singapore SPCs and are determined to be trading gains for Singapore income tax purposes, unless the Unitholder is specifically exempt from tax on such distributions, for example, if he is an individual who holds the Units as investment assets. Tax on such trading gains will be assessed on, and collected from, the Trustee and the tax paid by the Trustee will be imputed as a tax credit to Unitholders who are liable to tax on such distributions. This

treatment of imputing the tax paid as a credit to Unitholders will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the Trustee will be exempt from tax in the hands of Unitholders.

(See "Taxation", Appendix G—"Independent Singapore Taxation Report" and Appendix H—"Independent Indonesian Taxation Report".)

EXCHANGE RATES

Bank Indonesia is the sole issuer of Indonesian Rupiah and is responsible for maintaining the stability of the Indonesian Rupiah. Since 1970, Indonesia has implemented three exchange rate systems: (i) a fixed rate between 1970 and 1978, (ii) a managed floating exchange rate system between 1978 and 1997 and (iii) a free floating exchange rate system since 14 August 1997. Under the second system, Bank Indonesia maintained stability of the Indonesian Rupiah through a trading band policy, pursuant to which Bank Indonesia would enter the foreign currency market and buy or sell Indonesian Rupiah, as required, when trading in the Indonesian Rupiah exceeded bid and offer prices announced by Bank Indonesia on a daily basis. On 14 August 1997, Bank Indonesia terminated the trading band policy and permitted the exchange rate for the Indonesian Rupiah to float without an announced level at which it would intervene, which resulted in a substantial decrease in the value of the Indonesian Rupiah relative to certain foreign currencies, including the US dollar and the Singapore dollar. Under the current system, the exchange rate of the Rupiah is determined solely by the market, reflecting the interaction of supply and demand in the market. Bank Indonesia may take measures, however, to maintain a stable exchange rate.

The following table sets out the average, high and low exchange rates(1) between Indonesian Rupiah and Singapore dollars (in Indonesian Rupiah per Singapore dollar) for the periods indicated. No representation is made that the Indonesian Rupiah amounts actually represent such Singapore dollar amounts or could have been or could be converted into Singapore dollars at the rate indicated, at any other rate, or at all.

	Indonesian Rupiah/Singapore Dollar(1)		
Period ended	**Average**	**High**	**Low**
2001	5,586.18	5,714.06	5,472.77
2002	5,087.99	5,154.23	5,030.64
2003	4,961.56	4,978.31	4,933.51
2004	5,619.18	5,708.80	5,500.59
2005	5,885.52	5,962.36	5,785.86
January 2006	5,803.70	5,894.60	5,746.04
February 2006	5,679.55	5,743.88	5,637.55
March 2006	5,649.61	5,740.89	5,579.07
April 2006	5,581.96	5,611.12	5,542.57
May 2006	5,713.89	5,886.08	5,552.21
June 2006	5,888.23	5,958.20	5,840.40
July 2006	5,762.34	5,808.90	5,721.62
August 2006	5,768.83	5,787.38	5,752.58
September 2006	5,791.96	5,829.08	5,753.56

Note:

(1) Source: Bank Indonesia.
The rates are the foreign exchange rates for public transactions as quoted by Bank Indonesia (*www.bi.go.id*). The fixing rate is at 11.00 a.m. local time. Bank Indonesia has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the information on the exchange rates from Bank Indonesia and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

Exchange Controls

Currently, no exchange control restrictions exist in Indonesia. The Indonesian Rupiah has been, and in general is, freely convertible. Bank Indonesia has introduced regulations to restrict the movement of Indonesian Rupiah from banks within Indonesia to offshore banks without underlying trade or investment reasons, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all people and legal entities that are domiciled, or who plan to reside, in Indonesia for at least one year. Bank Indonesia regulations also require resident banks and companies that have total assets or total annual gross revenues of at least Rp.100 billion to report to Bank Indonesia all data concerning their foreign currency activities, if the transaction is not conducted *via* a domestic bank or domestic non-bank financial institution (for example, insurance companies, securities companies, finance companies, or venture capital companies). However, if the transaction is conducted *via* a domestic bank and/or domestic non-bank financial institution, the requirement to report to Bank Indonesia is imposed on the relevant Indonesian banks or non-bank financial institutions that carried out the transaction. The transactions that must be reported include receipt and payment of foreign currency through bank accounts outside of Indonesia.

CAPITALISATION

The following table sets forth the pro forma capitalisation of First REIT as at Listing Date and after application of the total proceeds from the Offering and the issuance of Cornerstone Units, at the Offering Price, taking into account that the purchase consideration for the acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs at completion under the Singapore SPC Share Purchase Agreements will be partly satisfied by the issuance of Consideration Units to the Vendor. The information in the table below should be read in conjunction with "Use of Proceeds".

	Based on the Offering Price of S$0.71
	S$'000 Pro forma
Net assets attributable to Unitholders	234,762
Total Capitalisation	**234,762**

Under each Master Lease Agreement, the Master Lessee is required to pay rent on a quarterly basis in advance. The Manager believes that such advance quarterly gross rent payment, being approximately S$5.4 million net of taxes, will be sufficient for First REIT's working capital requirements over the 12 months following the close of the Offering.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT LISTING DATE

The Manager is unable to prepare pro forma statements of total return, cash flow statements and balance sheets to show the pro forma historical financial performance of First REIT as:

- it will not be meaningful to include the pro forma financial statements because the Properties will be acquired by First REIT by way of sale and leaseback transactions with the Sponsor; and
- if pro forma financial statements are to be provided, they will be calculated based on the same rentals and other terms used to calculate the profit forecast and profit projection of First REIT as set out in "Profit Forecast and Profit Projection". The result will be a set of pro forma financial statements which appears to be similar to such profit forecast and profit projection, and which will not provide to a potential investor reading the pro forma financial statements any additional information which is not already in the "Profit Forecast and Profit Projection".

For the reasons stated above, the SGX-ST has granted First REIT a waiver from the requirement to prepare historical pro forma statements of total return, cash flow statements and balance sheets, subject to the inclusion of the following information in the prospectus of First REIT:

- Profit Forecast for FY2006 and Profit Projection for FY2007;
- Audited consolidated financial statements of the Sponsor for FY2005;
- Pro Forma Combined Financial Information in relation to the four operating units at the four Properties for FY2005;
- Pro Forma Consolidated Balance Sheet of First REIT as at Listing Date; and
- Disclosure of the reasons on why the historical pro forma financial statements cannot be provided and the waiver granted by the SGX-ST.

Such information has been included in this prospectus and can be found in "Profit Forecast and Profit Projection", Appendix A—"Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date", Appendix C—"Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Financial Year Ended 31 December 2005" and Appendix D—"Independent Accountants' Reports on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 31 December 2005".

The Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date has been prepared on the bases set out in Section C of Appendix A—"Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date". The Unaudited Pro Forma Consolidated Balance Sheet should be read together with these bases.

The objective of the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date is to show, for illustrative purposes, what the financial position of First REIT might be at Listing Date, on the basis as described above. However, the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date is not necessarily indicative of First REIT's actual financial position on Listing Date.

The Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date, because of its nature, may not give a true picture of First REIT's financial position.

Unaudited Pro Forma Consolidated Balance Sheet

	As at Listing Date
	S$'000
ASSETS	
Current assets	
Cash and cash equivalents	5,436
Prepaid tax	604
Total current assets	**6,040**
Non-current assets	
Investment properties	257,000
Total assets	**263,040**
LIABILITIES	
Current liabilities	
Trade and other payables	6,040
Non-current liabilities	
Deferred tax	22,238
Total liabilities	28,278
Unitholders' funds	
Net assets attributable to Unitholders	234,762
Total liabilities and Unitholders' funds	**263,040**

PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF THE SPONSOR FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 AND THE SIX MONTHS ENDED 30 JUNE 2006

The Pro Forma Combined Financial Information is prepared on the bases set out in Section B of Appendix C—"Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Financial Year Ended 31 December 2005" and Appendix E—"Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Six Months Ended 30 June 2006 (Unaudited)".

The Pro Forma Combined Financial Information should be read together with these bases.

The objective of the Pro Forma Combined Financial Information is to show the financial results, cash flows and financial position of the Carved Out Segment. However, the Pro Forma Combined Financial Information is not necessarily indicative of the results and cash flows of the operation or the financial position that would have been attained had the Carved Out Segment actually existed earlier. The Pro Forma Combined Financial Information, because of their nature, may not give a true picture of the actual financial position, results, cash flows and changes in equity of the Carved Out Segment of the Sponsor.

The Pro Forma Combined Financial Information has been translated for convenience and as a matter of arithmetical computation only. The assets and liabilities are translated at the balance sheet date rates of exchange and the income and expense items are translated at average rates of exchange for FY2005 and HY2006. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders equity.

The translation of Rupiah amounts into Singapore dollar amounts for the FY2005 and HY2006 are S$1.00 to Rp 5,907 and S$1.00 to Rp 5,854, being the approximate rates of exchange at the end of the year and at the end of the period respectively. The average rates used for FY2005 and HY2006 are S$1.00 to Rp 5,833 and S$1.00 to Rp 5,722 respectively.

Such translations should not be construed as a representation that the Singapore dollar amounts could be converted into Indonesian Rupiah at the above rate or other rate.

Pro Forma Combined Balance Sheet

	As at 31 December 2005		As at 30 June 2006	
	Rp. million	**S$'000**	**Rp. million**	**S$'000**
ASSETS				
Current assets:				
Cash and cash equivalents	11,209	1,898	6,323	1,080
Trade and other receivables	34,843	5,898	45,183	7,718
Inventories	14,860	2,516	14,757	2,521
Assets held for sale	345,936	58,564	349,930	59,776
Total current assets	**406,848**	**68,876**	**416,193**	**71,095**
Non-current assets:				
Property, plant and equipment	146,023	24,720	136,741	23,359
Other assets	335	57	390	67
Deferred tax assets	6,242	1,057	7,590	1,296
Total non-current assets	**152,600**	**25,834**	**144,721**	**24,722**
Total assets	**559,448**	**94,710**	**560,914**	**95,817**
LIABILITIES AND EQUITY				
Current liabilities:				
Trade and other payables	281,677	47,686	258,043	44,080
Borrowings	23,029	3,899	—	—
Total current liabilities	**304,706**	**51,585**	**258,043**	**44,080**
Non-current liabilities:				
Retirement benefit obligations	19,548	3,309	20,951	3,579
Total non-current liabilities	**19,548**	**3,309**	**20,951**	**3,579**
Total liabilities	**324,254**	**54,894**	**278,994**	**47,659**
Total equity	**235,194**	**39,816**	**281,920**	**48,158**
Total liabilities and equity	**559,448**	**94,710**	**560,914**	**95,817**

Pro Forma Combined Income Statement

	Financial Year ended 31 December 2005		Six months ended 30 June 2006	
	Rp. million	**S$'000**	**Rp. million**	**S$'000**
Revenue	**496,113**	**85,053**	**291,523**	**50,948**
Cost of sales	(355,351)	(60,921)	(201,864)	(35,279)
Gross profit	140,762	24,132	89,659	15,669
Finance income	1,288	221	982	172
Finance expense	(2,571)	(441)	(2,154)	(376)
General and administrative expenses	(44,091)	(7,559)	(22,141)	(3,870)
Other credits/(charges)	858	147	252	44
Profit before tax	**96,246**	**16,500**	**66,598**	**11,639**
Income tax expense	(29,035)	(4,978)	(19,872)	(3,473)
Profit for the year	**67,211**	**11,522**	**46,726**	**8,166**

FY2005

The Carved Out Segment reported profit before tax of S$16.5 million for FY2005. Excluding depreciation expense of S$7.4 million and interest expense of S$0.4 million, the Carved Out Segment generated earnings before interest, tax, depreciation and amortisation ("**EBITDA**") of S$24.3 million. The Carved Out Segment would have generated sufficient EBITDA to support the base rent of S$24.1 million payable for the first year of the Master Lease Agreements.

HY2006

The Carved Out Segment reported profit before tax of S$11.6 million for HY2006. Excluding depreciation of S$2.5 million and interest expenses of S$0.2 million, the Carved Out Segment generated EBITDA of S$14.3 million.

In addition, the Carved Out Segment is only part of the business units within the Sponsor and the Sponsor, as the Master Lessee, may, in the event that there is a business downturn at the four business units at the Properties such that these business units are unable to generate sufficient cash flow to pay the lease rentals to First REIT, utilise funds available from its other business units to pay such lease rentals. The Sponsor reported profit before tax of S$97.5 million for FY2005 and S$39.7 million for HY2006. Please refer to Appendix D—"Independent Accountants' Report on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 31 December 2005" as well as Appendix F—"Independent Accountants' Report on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 30 June 2006 (Unaudited)".

In conducting its valuation of the Properties, Knight Frank analysed the lease rentals under the Master Lease Agreement against rental rates of other more common commercial property types in the absence of rental evidences for specialised property type in Indonesia such as the Properties and it concluded that the rental rates for the Properties falls within the rental range of other more common commercial property types in Indonesia. Knight Frank also considered the ratio of rental payment over EBITDA ("**Rent/EBITDA ratio**") from the operation of comparable properties in Australia and the United States in the absence of hospital sales in Indonesia. The Rent/EBITDA ratio for the Properties was approximately 99.0% for FY2005 compared with 50.0% to 60.0% in Australia and 48.0% to 53.0% in the United States. However, it was noted that the ratio of rental over EBITDA becomes lower over time from the listing date of a REIT and the cumulative average yearly Rent/EBITDA ratio for the Properties over the next five years from FY2006 appears to be in line with that of international case studies. Taking that, as well as the tenure of the Master Lease Agreements into consideration, Knight Frank concluded that the rental payments for the Properties are sustainable. For further details, see the section "Valuation" in the four formal comprehensive valuation reports prepared by Knight Frank for each of the Properties, available for inspection at the registered office of the Manager.

Pro Forma Combined Cash Flow Statement

	Financial Year ended 31 December 2005		Period ended 30 June 2006	
	Rp. million	S$'000	Rp. million	S$'000
Cash flow from operating activities:				
Collection from customers	486,028	83,324	296,458	51,810
Payment to suppliers and employees	(342,309)	(58,685)	(223,708)	(39,096)
Interest paid	(2,392)	(410)	(1,388)	(243)
Interest received	166	28	50	9
Income tax paid	(1,876)	(322)	(189)	(33)
Net cash flow from operating activities	139,617	23,935	71,223	12,447
Cash flow from investing activities:				
Proceeds from disposal of property, plant and equipment	234	40	497	87
Purchase of property, plant and equipment	(44,314)	(7,597)	(5,284)	(923)
Net cash flow used in investing activities	(44,080)	(7,557)	(4,787)	(836)
Cash flow from financing activities:				
Payment of obligation under finance lease	(72)	(12)	(53)	(9)
Payment of related parties balances	(102,903)	(17,641)	(48,240)	(8,431)
Payment of borrowing	–	–	(23,029)	(4,025)
Net cash flow used in financing activities	(102,975)	(17,653)	(71,322)	(12,465)
Net decrease in cash and cash equivalents	**(7,438)**	**(1,275)**	**(4,886)**	**(854)**
Cash and cash equivalents at the beginning of the year	**18,647**	**3,280**	**11,209**	**1,898**
Exchange rate difference on cash and cash equivalents	**–**	**(107)**	**–**	**36**
Cash and cash equivalents at the end of the year	**11,209**	**1,898**	**6,323**	**1,080**

Based on net cash flow from operating activities of S$23.9 million in FY2005 and S$12.4 million in HY2006 and excluding interest expenses of S$0.4 million in FY2005 and S$0.2 million in HY2006, the Carved Out Segment would have generated sufficient operating cash flows to support the base rent of S$24.1 million payable for the first year of the Master Lease Agreements. In addition, the Carved Out Segment is only a part of the business units within the Sponsor and the Sponsor, as the Master Lessee, may, in the event that there is a business downturn at the four business units at the Properties such that these business units are unable to generate sufficient cash flow to pay the lease rentals to First REIT, utilise funds available from its other business units to pay such lease rentals. As at 31 December 2005 and 30 June 2006, the Sponsor had cash and cash equivalents of S$48.7 million and S$128.0 million, respectively. Please refer to Appendix D—"Independent Accountants' Report on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 31 December 2005" and Appendix F—"Independent Accountants Report on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 30 June 2006 (Unaudited)".

PROFIT FORECAST AND PROFIT PROJECTION

Statements contained in the Profit Forecast and Profit Projection section that are not historical facts may be forward-looking statements. Such statements are based on the assumptions set out on pages 65 to 71 of this Prospectus and are subject to certain risks and uncertainties which could cause actual results to differ materially from those forecast and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by First REIT, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor, the Trustee or any other person, nor that these results will be achieved or are likely to be achieved. (See "Forward-looking Statements" and "Risk Factors".) Investors in the Units are cautioned not to place undue reliance on these forward-looking statements which are valid only as at the date of this Prospectus.

None of First REIT, the Manager, the Joint Lead Managers, the Underwriters, the Sponsor, the Trustee or the Unit Lender guarantees the performance of First REIT, the repayment of capital or the payment of any distributions, or any particular return on the Units. The forecast and projected yields stated in the following table are calculated based on (i) the Offering Price, and (ii) the assumption that Listing Date is 1 October 2006. Such yields will vary accordingly if Listing Date is after 1 October 2006 and in relation to investors who purchase Units in the secondary market at a market price that differs from the Offering Price.

The following table below sets forth First REIT's forecast and projected consolidated statements of total return for the Forecast Period 2006 and the Projection Year 2007 respectively. The financial year-end of First REIT is 31 December. For the purpose of the profit forecast and profit projection, First REIT's first accounting period is assumed to be for the period from 1 October 2006 to 31 December 2006. The profit forecast and profit projection will be different if the date of establishment differs from 1 October 2006 or if the end of the first financial period differs from 31 December 2006. The profit forecast and profit projection should be read together with the report set out in Appendix B—"Independent Accountants' Report on the Profit Forecast and Profit Projection" as well as the assumptions and the sensitivity analysis set out in this section of the Prospectus.

Forecast and Projected Consolidated Statements of Total Return

	Forecast Period 2006 (1 October 2006 to 31 December 2006)	Projection Year 2007 (1 January 2007 to 31 December 2007)
	S$'000	S$'000
Rental income	6,040	24,597
Interest income	9	36
Gross revenue	**6,049**	**24,633**
Direct operating expenses	(78)	(174)
Net property income	**5,971**	**24,459**
Management fees	(556)	(2,251)
Trustee's fees	(44)	(85)
Other trust expenses	(275)	(572)
Total return for the period before tax and distribution and revaluation	**5,096**	**21,551**
Surplus on revaluation on investment properties(1)	74,128	—
Total return for the period before tax and distribution	**79,224**	**21,551**
Income tax	(606)	(2,467)
Deferred tax	(22,238)	—
Withholding tax	(486)	(1,995)
Total return for the period after tax before distribution	**55,894**	**17,089**

Forecast and Projected Distributions to Unitholders

	Forecast Period 2006 (1 October 2006 to 31 December 2006)	Projection Year 2007 (1 January 2007 to 31 December 2007)
	S$'000	S$'000
Total return for the period after income tax before distribution	55,894	17,089
Add back / (Less) non-cash items:		
—Management fees(2)	149	611
—Surplus on revaluation of investment properties net of deferred tax(1)	(51,890)	—
Total distribution to Unitholders	**4,153**	**17,700**
Unitholders' distribution:		
—as distributions from operations	3,636	15,630
—as return of capital(3)	517	2,070
Total Unitholders' distribution	**4,153**	**17,700**

Notes:

(1) It is assumed that all of the ordinary shares and redeemable preference shares of the four Singapore SPCs are purchased at a total consideration of approximately S$182.9 million based on the Offering Price. The surplus on revaluation of the investment properties relates to the revaluation of the Properties to their fair value of S$257.0 million based on the value appraised by Knight Frank immediately upon their acquisition. The fair value of S$257.0 million is based on the appraised value of the Properties by Knight Frank for the reasons stated at page 9 of this Prospectus. It is assumed that there is no change in the fair value of the Properties, and that there is no change in the exchange rate between the Singapore dollar and the Indonesian Rupiah as at the end of the Forecast Period 2006 and the Projection Year 2007. Notwithstanding whether the valuation of Knight Frank or HVS International is adopted, such adoption has no impact on the distributions to Unitholders.

(2) This relates to the portion of the Management fees which are payable in the form of Units.

(3) The return of capital comprises the amounts received by First REIT from the redemption of its investment in the redeemable preference shares in the Singapore SPCs (see "—Assumptions—Unitholders' distributions" and "Distributions").

Forecast and Projected Distributions to Unitholders

	Forecast Period 2006	Projection Year 2007
	Based on the Offering Price of S$0.71	Based on the Offering Price of S$0.71
Number of Units eligible for distribution ('000)(1)	271,400(3)	271,610(4)
Distribution per Unit (cents)	1.53	6.51
Offering Price per Unit (S$)	0.71	0.71
Annualised distribution yield (%)(2)	**8.62**	**9.17**

Notes:

(1) The increase in the number of units in the Projection Year 2007 is due to the issue of Units to the Manager for the payment of 50.0% of the Manager's Performance Fees for the Forecast Period 2006 in the form of Units. These Units are assumed to be issued at the Offering Price.

(2) Annualised for the Forecast Period 2006.

(3) Based on the number of Units that are assumed to be in issue as at Listing Date. It is assumed that the number of Units eligible for distribution is the same throughout the Forecast Period 2006.

(4) Based on the number of Units that are assumed to be in issue on 1 January 2007. It is assumed that the number of Units eligible for distribution is the same throughout the Projection Year 2007.

Rental Income and NPI Forecast and Projection Contribution of Each Property

The underlying forecast and projected contributions of each Property to rental income is as follows:

Property	Contribution to Rental Income— Forecast Period 2006		Contribution to Rental Income— Projection Year 2007	
	S$'000	%	S$'000	%
Siloam Hospitals Lippo Karawaci	2,924	48.4	11,908	48.4
Siloam Hospitals West Jakarta	1,657	27.4	6,748	27.4
Siloam Hospitals Surabaya	655	10.9	2,667	10.9
Imperial Aryaduta Hotel & Country Club	804	13.3	3,274	13.3
Total Rental Income	**6,040**	**100.0**	**24,597**	**100.0**

The underlying forecast and projected contributions of each Property to NPI is as follows:

Property	Contribution to Net Property Income— Forecast Period 2006		Contribution to Net Property Income— Projection Year 2007	
	S$'000	%	S$'000	%
Siloam Hospitals Lippo Karawaci	2,913	48.8	11,881	48.6
Siloam Hospitals West Jakarta	1,638	27.5	6,714	27.5
Siloam Hospitals Surabaya	635	10.6	2,628	10.7
Imperial Aryaduta Hotel & Country Club	785	13.1	3,236	13.2
Total Net Property Income	**5,971**	**100.0**	**24,459**	**100.0**

Assumptions

The Manager has prepared the profit forecast for the Forecast Period 2006 and the profit projection for the Projection Year 2007 based on the assumptions listed below. The Manager considers these assumptions to be appropriate and reasonable as at the date of this Prospectus. However, recipients of this Prospectus and all prospective investors in the Units should consider these assumptions as well as the profit forecast and profit projection and make their own assessment of the future performance of First REIT.

(I) Gross revenue

Gross revenue comprises rental income and interest income.

(i) Rental income

Rental income comprises the income derived from the rental of the Properties to the Master Lessee under the Master Lease Agreements.

The Master Lessee is required to pay rent on a quarterly basis in advance, which rent shall comprise:

(a) an annual base rent of:

- S$11.7 million[(1)] per year in respect of Siloam Hospitals Lippo Karawaci;
- S$6.6 million[(1)] per year in respect of Siloam Hospitals West Jakarta;
- S$2.6 million[(1)] per year in respect of Siloam Hospitals Surabaya; and
- S$3.2 million[(1)] per year in respect of Imperial Aryaduta Hotel & Country Club,

for the first year of each lease.

The base rent is subject to increase every year thereafter at a rate equal to two times the percentage increase of the CPI of Singapore for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%; and

(b) a variable rent which is calculated based on a percentage of the growth of the Master Lessee Gross Revenue in the preceding calendar year. No variable rent is payable in the first year of the lease.

The variable rent is computed as follows:

(i) where the Master Lessee Gross Revenue for the preceding calendar year exceeds the Master Lessee Gross Revenue of the calendar year ("**Further Preceding Calendar Year**") preceding the preceding calendar year by more than 5.0% but less than 15.0%, the variable rent shall be the amount which is 0.75% of the Master Lessee Gross Revenue of the preceding calendar year;

(ii) where the Master Lessee Gross Revenue for the preceding calendar year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by 15.0% or more but less than 30.0%, the variable rent shall be the amount which is 1.25% of the Master Lessee Gross Revenue of the preceding calendar year; and

(iii) where the Master Lessee Gross Revenue for the preceding calendar year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by 30.0% or more, the variable rent shall be the amount which is 2.0% of the Master Lessee Gross Revenue of the preceding calendar year.

For the avoidance of doubt, where the Master Lessee Gross Revenue for the preceding calendar year does not exceed the Master Lessee Gross Revenue of the Further Preceding Calendar Year by more than 5.0%, no variable rent is payable.

The rent will be paid in Singapore Dollars at a predetermined rate of S$1.00 to Rp. 5,623.50. This formula shall be fixed for the entire duration of the lease term.

The rental income for the Forecast Period 2006 is forecast to be approximately S$6.0 million.

The rental income for the Projection Year 2007 is projected to be approximately S$24.6 million based on an assumed growth rate of 19.0% for the Master Lessee Gross Revenue for the calendar year 2006 as compared with the calendar year 2005. This assumption does not represent the actual growth that may actually be achieved. A sensitivity analysis on the impact of various revenue growth rates for the Master Lessee Gross Revenue for the calendar year 2006 as compared with the calendar year 2005 on the distribution yield has been performed under the section "Sensitivity Analysis".

Note:
(1) This figure was converted from Indonesian Rupiah at a predetermined exchange rate of S$1.00 = Rp. 5,623.50.

(ii) **Interest income**

Interest income relates to the interest earned on cash balances with banks. Interest is assumed to be earned at a rate of 1.0% per annum.

The interest income for the Forecast Period 2006 and the Projection Year 2007 is projected to be S$9,000 and S$36,000 respectively.

(II) Direct operating expenses

Direct operating expenses comprise expenses incurred by First REIT which include advertising costs, directors remuneration, accounting and administrative costs, and professional fees such as legal and audit fees. These direct operating expenses are projected to be S$78,000 and S$174,000 for the Forecast Period 2006 and the Projection Year 2007 respectively.

(III) Management Fees

Under the Trust Deed, the Manager is entitled to management fees comprising the Base Fee and the Performance Fee as follows:

(i) a Base Fee at the rate of 0.4% per annum of the value of the Deposited Property; and

(ii) a Performance Fee equal to a rate of 5.0% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the NPI of First REIT or the NPI of the relevant SPCs for each financial year (calculated before accounting for this additional fee in that financial year).

The Manager has opted to receive the Base Fee in the form of cash in respect of the Forecast Period 2006 and the Projection Year 2007.

The Manager may elect to receive its management fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine) after the Projection Year 2007, having regard to the distribution yields to Unitholders and the cash flow of First REIT.

Where the management fees are payable in the form of Units, it has been assumed that such payment for the Performance Fee for the Forecast Period 2006 shall be made out at the beginning of Projection Year 2007. Where the management fees are payable in the form of cash, such payment shall be made out monthly in arrears and in the event that cash is not available out of the Deposited Property, then payment of the outstanding sum shall be deferred to the next month when cash is available out of the Deposited Property.

The Manager has opted to receive, for the Forecast Period 2006 and the Projection Year 2007, 50.0% of the Performance Fee in the form of Units and the balance in cash.

Where the Performance Fee is payable in Units, the Manager has assumed that such Units are issued at the Offering Price.

For the purpose of computation of the value of Deposited Property, the Offering Price has been used.

	Forecast Period 2006 (1 October 2006 to 31 December 2006)	Projection Year 2007 (1 January 2007 to 31 December 2007)
	Based on the Offering Price of S$0.71	Based on the Offering Price of S$0.71
	S$'000	S$'000
Total management fees	556	2,251
Cash component	407	1,640
Component payable in units	149	611
Units issued to the Manager ('000)	210	861

The Manager may opt to receive the management fees in cash or in Units or a combination of cash and Units (as it may determine) after the Projection Year 2007 (see "The Manager and Corporate Governance—Manager's Fees").

(IV) Trustee's fees

Under the Trust Deed, the Trustee's fee is subject to a maximum of 0.1% per annum of the value of the Deposited Property, excluding out-of-pocket expenses and GST. The Trustee's fee is presently 0.03% per annum of the value of the Deposited Property, subject to a minimum sum per month. Such minimum sum does not exceed S$10,000 per month during the first three years after Listing Date and is fixed at S$10,000 per month thereafter. The Trustee's fee (including the minimum amount of such fee) will be subject to review three years after Listing Date. In addition, a one-time inception fee of S$25,000 is payable. The Trustee's fees are projected to be S$44,000 and S$85,000 for the Forecast Period 2006 and the Projection Year 2007 respectively (see "The Formation and Structure of First Real Estate Investment Trust—The Trustee").

(V) Other trust expenses

Other trust expenses comprise First REIT's recurring expenses such as annual listing fees, audit and tax advisory fees, valuation fees, costs associated with the preparation and distribution of reports to Unitholders, investor communication costs, GST and other miscellaneous expenses. Other trust expenses are projected to be S$275,000 and S$572,000 for the Forecast Period 2006 and the Projection Year 2007 respectively.

(VI) Income tax

Income tax relates to the corporate tax incurred by the Indonesian SPCs on the rental income earned from the rental of the Properties to the Master Lessee and the interest income earned on cash balances with banks. The corporate tax rate is 10.0% for the rental income and 20.0% for the interest income and is final in nature. The corporate tax payable is projected to be S$0.6 million and S$2.5 million for the Forecast Period 2006 and the Projection Year 2007 respectively.

(VII) Deferred tax

Deferred tax relates to the tax on the revaluation surplus on the Properties in accordance with the accounting policies adopted by the Manager.

(VIII) Withholding tax

Withholding tax relates to the tax withheld by the Indonesian SPCs on the dividend and interest payments to the Singapore SPCs. Under the tax treaty between Singapore and Indonesia, the withholding tax rate on the dividend and interest payments is 10.0%. The withholding tax is projected to be S$0.5 million and S$2.0 million for the Forecast Period 2006 and the Projection Year 2007 respectively.

(IX) Unitholders' distribution

Unitholders' distribution comprises:

(i) Distribution from operations

This is the distribution from dividend income, after deduction of applicable expenses, received from the Singapore SPCs, which are ultimately paid out of income derived by the Indonesian SPCs from the leasing of the Properties under the Master Lease Agreements to the Master Lessee.

(ii) Return of capital

The return of capital comprises the amounts received by First REIT from the redemption of its investment in the redeemable preference shares in the Singapore SPCs.

The Manager has assumed that 100.0% of the tax-exempt income (after deduction of applicable expenses) and capital receipts will be distributed to Unitholders for the Forecast Period 2006 and the Projection Year 2007, either in the form of distribution from operations or return of capital.

(X) Capital and structural expenditure

Under each of the Master Lease Agreements, the Master Lessee is responsible, throughout the entire lease term, for the land and building tax (including all increases thereof) and all outgoings and expenses to be incurred in respect of the Properties. Such expenses would include expenses for property repairs, maintenance and management, all operating expenses and utilities, fire tests required by the relevant fire safety authority (if necessary), landscaping, security services, and maintenance of common areas and lifts.

During the first two years of the lease term, the Master Lessee shall be responsible for all repair and replacement works, whether or not of a capital nature and irrespective of the cost of such works. After the first two years of the lease term, First REIT is responsible for any repair and replacement works in relation to the structural parts of the Properties and the mechanical and electrical equipment which are of a capital nature. Any repair and replacement works which are of an expense nature shall be borne by the Master Lessee.

As such, no capital and structural expenditure were projected in the Forecast Period 2006 and the Projection Year 2007.

Assuming that the repair and replacement works in relation to the structural parts of the Properties and the mechanical and electrical equipment which are of a capital nature are borne by First REIT instead, and based on the average amount of such costs incurred in the last three financial years ended 31 December 2003, 31 December 2004 and 31 December 2005 respectively of S$0.73 million, the impact on the annualised distribution yield of First REIT in the Forecast Period 2006 and the Projection Year 2007 is as follows:-

		Annualised Distribution Yield (%)
		Based on Offering Price of S$0.71
(A)	Forecast Period 2006	
	With Master Lessee bearing Repair and Replacement Works	8.62
	Without Master Lessee bearing Repair and Replacement Works	8.56[1]
	Difference	0.06
(B)	Projection Year 2007	
	With Master Lessee bearing Repair and Replacement Works	9.17
	Without Master Lessee bearing Repair and Replacement Works	9.15[1]
	Difference	0.02

Note:

(1) This assumes that First REIT incurs the capital expenditure on a pro-rated basis throughout the Forecast Period 2006 and Projection Year 2007.

(XI) Distribution reinvestment arrangement

The Trust Deed gives the Manager, where appropriate, the option of activating an arrangement whereby Unitholders may elect to re-invest all or part of their distribution entitlement in return for an issue of additional Units in First REIT (see "The Formation and Structure of First Real Estate Investment Trust—Issue of Units"). It has been assumed that the Manager will not activate the distribution reinvestment arrangement before 31 December 2007. This assumption does not, however, preclude the Manager from implementing such a distribution reinvestment arrangement before 31 December 2007.

(XII) Unit issue costs

The proceeds from the issue of the units in First REIT will be received when the Units are issued. Following receipt of the proceeds from the Offering, the Trustee will complete the acquisition of all of the ordinary shares and redeemable preference shares in the four Singapore SPCs at completion, in accordance with the terms of the Sale and Purchase Agreements as described in "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Sale and Purchase Agreements to acquire the Properties". The costs associated with the issue of the Units will be paid for by First REIT on completion of the Offering. These costs are charged against net assets attributable to Unitholders in the balance sheet and have no impact on the consolidated statement of total return or distributions.

(XIII) Properties

The Properties are assumed to be acquired at a 28.8% discount to their appraised value as appraised by Knight Frank based on the Offering Price.

The ordinary shares and redeemable preference shares of the four Singapore SPCs are assumed to be purchased at a total consideration of S$182.9 million based on the Offering Price.

	Based on the Offering Price of S$0.71
Units under the Offering ('000)	140,400
Cornerstone Units ('000)	56,000
Gross Proceeds (S$'000)	139,444
Issue costs[1] (S$'000)	9,822
Net Proceeds (S$'000) (A)	129,622
Units issued to the Vendor ('000)	75,000
Value of Units issued to the Vendor (S$'000) (B)	53,250
Total purchase consideration (S$'000) (A+B)	182,872
Appraised value of the Properties (S$'000)	257,000
Discount (%)	28.8

Note:
(1) Assuming that the Over-allotment Option is not exercised.

It is assumed that the Properties will be revalued annually, effective 31 December each year, and the next valuation will be carried out on 31 December 2007. A gain or loss arising from a change in the fair value of investment property is included in the statement of total return for the period in which it arises. The Manager has assumed that there will not be any capital expenditure for the Forecast Period 2006 and the Projection Year 2007.

The Manager has made a hypothetical assumption that the values of the Properties will, until 31 December 2007, remain at the amounts which they were valued by Knight Frank as at 30 June 2006.

Any subsequent write-down of the values of the Properties will not affect the forecast and projected distributions per Unit for the Forecast Period 2006 and the Projection Year 2007 because First REIT's distribution are based on 100.0% of the tax-exempt income (after deduction of applicable expenses) and capital receipts which excludes appreciation and depreciation upon revaluation of the Properties.

(XIV) Accounting standards

The Manager has assumed no change in applicable accounting standards or other financial reporting requirements that may have a material effect on the forecast or projected total return. With regard to the SFRS that has been issued and will be effective in future, as set out in Appendix A—"Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at

Listing Date", the transfer to the new standards on the effective dates is not expected to result in material adjustments to the profit forecast and profit projection.

Significant accounting policies adopted by the Manager in the preparation of the profit forecast and profit projection are set out in Appendix A—"Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date".

(XV) Foreign exchange

Under the Master Lease Agreements, the rental will be paid in Singapore dollars based on the predetermined exchange rate of S$1.00 = Rp. 5,623.5 fixed for the entire duration of the lease term. In this regard, foreign exchange adjustment arising from the lease has no impact to the total return. In addition, the Manager has assumed that there will be no significant fluctuation in foreign exchange rates that will have material impact to the Profit Forecast and Profit Projection.

(XVI) Other assumptions

The Manager has made the following additional assumptions in preparing the profit forecast for the Forecast Period 2006 and the profit projection for the Projection Year 2007:

- that the property portfolio remains unchanged throughout the periods;
- that no further capital will be raised during the periods;
- that there will be no change in taxation legislation or other applicable legislation;
- that there will be no change to the tax exemption and tax approval granted to First REIT;
- that all leases and licences are enforceable and will be performed in accordance with their terms; and
- that 100.0% of the tax-exempt income (after deduction of applicable expenses) and capital receipts available for distribution will be distributed to the Unitholders.

Sensitivity Analysis

The forecast and projected distributions included in this Prospectus are based on a number of assumptions that have been outlined above. The forecast and projected distributions are also subject to a number of risks as outlined in "Risk Factors".

All prospective investors in the Units should be aware that future events cannot be predicted with any certainty and deviation from the figures forecast or projected in this Prospectus are to be expected.

The table below sets out the impact of changes in the variable rent component on the distribution yield per unit for Projection Year 2007 based on different growth levels in the Master Lessee Gross Revenue for the calendar year 2006 as compared with the calendar year 2005. The sensitivity analysis is intended to provide a guide only and variation in actual performance could exceed the ranges shown. Movement in other variables may offset or compound the effect of a change in any variable beyond the extent shown.

Growth of the Master Lessee Gross Revenue(1)	Base rent(3)	Variable rent(4)	Total rent	Projection Year 2007 Distribution Yield Based on the Offering Price of S$0.71
(%)	(S$'000)	(S$'000)	(S$'000)	(%)
5.0	24,281	—	24,281	9.04
10.0	24,281	175	24,456	9.11
15.0	24,281	306	24,587	9.17
19.0(2)	24,281	316	24,597	9.17
20.0	24,281	319	24,600	9.17
25.0	24,281	332	24,613	9.18
30.0	24,281	553	24,834	9.27
35.0	24,281	574	24,855	9.27
40.0	24,281	596	24,877	9.28

Notes:

(1) For the calendar year 2006 as compared to the calendar year 2005.

(2) Rental income for the Projection Year 2007 is based on this assumption.

(3) The monthly base rent is projected to increase by 2% with effect from 1 October 2007, being the first anniversary of the Master Lease Agreements.

(4) The variable rent is projected to be payable for the 3-month period from 1 October 2007 to 31 December 2007.

STRATEGY

The principal investment strategy of the Manager is to invest, directly or indirectly, in a portfolio of income-producing real estate, which is primarily used for healthcare and healthcare-related purposes, whether wholly or partially.

In accordance with the requirements of the Listing Manual, the Manager's investment strategy for First REIT will be adhered to for at least three years following Listing Date, unless otherwise agreed by an Extraordinary Resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The initial asset portfolio of First REIT will comprise the Properties, all of which are located in Indonesia. While the assets in First REIT's initial portfolio are all located in Indonesia, First REIT's investment strategy envisages regional investments 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong.

As one of its objectives, First REIT seeks to promote healthcare and healthcare-related properties that are positioned to capitalise on the growth of healthcare in Indonesia, and to capture the patient traffic from Indonesia into Singapore, which, according to Appendix J—"Independent Report on the Healthcare Industry in Indonesia" by the Independent Healthcare Industry Consultant, was estimated to be worth US$108 million in 2003, and patient traffic from other parts of Indonesia into Jakarta.

The Manager's key objectives are to deliver regular and stable distributions to Unitholders and to achieve long-term growth in the net asset value per Unit in order to provide Unitholders with capital appreciation on their investments. The Manager plans to achieve these objectives through the following strategies:

- **Acquisition Growth Strategy**—While the assets in First REIT's initial portfolio are all located in Indonesia, First REIT's acquisition growth strategy envisages investments in healthcare and/or healthcare-related assets in Asia that are in the interests of Unitholders. The Manager has already commenced the process of identifying and evaluating assets for future acquisition by First REIT. Potential acquisition targets include assets in regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong. The Manager has entered into non-binding memoranda of understanding (save for obligations of confidentiality and exclusivity) with (i) three companies related to and managed by Pacific Healthcare Holdings Ltd, which is listed on the SGX-ST, in connection with the proposed acquisition and leaseback of two Singapore properties which were purpose-built as nursing homes, as well as a Singapore property which was purpose-built as a hospital, and (ii) PT. Nusautama Medicalindo in connection with the proposed acquisition and leaseback of an Indonesian property which was purpose-built as a hospital. The Manager is presently negotiating the financing as well as the lease terms with regard to the potential acquisition and leaseback of these properties.
- **Capital and Risk Management Strategy**—While First REIT will not have any borrowings as at Listing Date, in the event that First REIT incurs any future borrowings, the Manager will employ an appropriate mix of debt and equity in any financing including that of future acquisitions, and utilise currency and interest rate hedging strategies, where appropriate, to optimise risk-adjusted returns to the Unitholders.
- **Active Asset Enhancement and Management Strategy**—The Manager intends to implement pro-active measures to enhance the returns from the existing and future properties in First REIT's portfolio. For future properties acquired by First REIT and leased out under master leases, the Manager intends to implement pro-active measures to enhance the returns from such properties. Such measures may include addition and alteration works, including work carried out for the purpose of expanding size and capacity and (in relation to future properties to be acquired by First REIT), leveraging and enhancing such properties' competitive strengths to optimise rentals and enhancement projects to maintain the competitive positioning of such properties.

Acquisition Growth Strategy

The Manager will pursue opportunities for asset acquisitions that will provide attractive cash flows and returns relative to First REIT's cost of capital, and opportunities for future income and capital growth. In evaluating future acquisition opportunities, the Manager will seek acquisitions that may enhance the diversification of the portfolio by geography and asset profile, and optimise risk-adjusted returns to the Unitholders. The Manager believes it is well qualified to pursue its acquisition strategy. The management of the Manager have extensive experience and a strong track record in sourcing, acquiring and financing healthcare and/or healthcare-related assets regionally. The management's industry knowledge, relationships and access to market information provide a competitive advantage with respect to identifying, evaluating and acquiring healthcare and/or healthcare-related assets.

The Manager's acquisition growth strategy will be underpinned by:

(i) First REIT's relationship with the Sponsor

First REIT intends to leverage on the Sponsor's experience, market reach and network of contacts for its acquisition strategy to evaluate and execute appropriate acquisitions that are in the interests of Unitholders and provide potential for income and capital growth. The Sponsor intends to support the portfolio growth of First REIT in the following ways:

- by allowing the Manager to leverage on the established network of relationships that the Sponsor has developed over the years to pursue the growth strategy of First REIT;
- lending its extensive experience and expertise in the healthcare and property industry to the Manager in assessing potential acquisition opportunities; and
- subject to certain circumstances, a potential pipeline of acquisitions *via* the Right of First Refusal granted by the Sponsor to First REIT over future sales of the healthcare and/or healthcare-related hospitality assets by the Sponsor.

(ii) Key opportunities arising from trends in the healthcare industry

The Manager believes that healthcare service providers are increasingly looking to free up capital for business expansion, which may increase the availability of assets for acquisition. In addition, First REIT can seek partnership and co-operation opportunities with the Sponsor as it expands beyond Indonesia.

(iii) First REIT's regional investment strategy

First REIT's regional investment strategy enables it to potentially gain access to more acquisition opportunities than if it were to limit itself to properties in Indonesia.

In evaluating asset acquisition opportunities, the Manager will focus on the following criteria:

- Impact on income distributions: The Manager will seek to acquire healthcare and healthcare-related assets that provide returns above First REIT's cost of capital, and are thereby expected to maintain or enhance First REIT's distributions per Unit as well as provide future long-term growth prospects which are consistent with First REIT's pre-acquisition portfolio;
- Opportunities for creating value: The Manager will seek healthcare and healthcare-related assets that provide opportunities for creating value such as hospitals which have been under-managed or undercapitalised, or which offer expansion or renovation opportunities;
- Location: The Manager will seek to acquire healthcare and healthcare-related assets in markets with high growth potential. Within these markets, the Manager will seek to acquire assets in strategic or prime locations;
- Geographical diversification: The Manager will seek to acquire properties that improve the geographical diversion of First REIT's portfolio;
- Management quality: The quality and experience of management and the creditworthiness of the operator of the healthcare and/or healthcare-related property;

- Financial soundness: The healthcare and/or and healthcare-related asset's historical and forecasted cash flows, its ability to meet operational needs, its capital expenditure requirements, its lease or debt service obligations as well as its ability to provide a competitive return on investment to First REIT;
- Regulatory and tax implication: The tax growth and regulatory environment of the jurisdiction in which the healthcare and/or and healthcare-related asset is located;
- Operational profile: The occupancy of and demand for similar healthcare and/or healthcare-related assets in the same or nearby communities;
- Patients' profiles: The profiles of patients who frequent, are attracted, or will be attracted, to the healthcare and/or and healthcare-related assets;
- Building and facility specifications: The Manager will examine specification such as construction quality, condition and design, as well as the size and age of the buildings. The potential to add value through selective renovation or other enhancements will also be assessed; and
- Engineering, environmental and land survey reports: The Manager will rely on reports submitted by a range of experts that cover matters such as: (i) building deterioration; (ii) maintenance, repairs and capital expenditure requirements; (iii) environmental matters; and (iv) compliance with building regulations. These reports will be used to assess building conditions and expected levels of capital expenditure in the short- to medium-term.

The Manager has entered into non-binding memoranda of understanding (save for obligations of confidentiality and exclusivity) with three companies related to and managed by Pacific Healthcare Holdings Ltd, which is listed on the SGX-ST, and (ii) PT. Nusautama Medicalindo, in connection with the following properties:

- 6 Lengkok Bahru, Singapore 159051

Vendor	Pacific Healthcare Nursing Home Pte. Ltd. (15.0% owned by Pacific Healthcare Holdings Ltd)
Current use	Nursing home
GFA	3,593.3 sq m
Title	Leasehold title of 30 years expiring 21 April 2032
Site Area	Lot 2935K of Mukim 1 – 2,000 sq m
Estimated acquisition price	To be negotiated and agreed in good faith between the parties, provided that such purchase price shall not be more than the appraised value of the property as determined by a qualified independent property valuer to be appointed by the Trustee before the signing of the conditional sale and purchase agreement

- 21 Senja Road, Singapore 677736

Vendor	Pacific Eldercare and Nursing Pte. Ltd. (40.0% owned by Pacific Healthcare Holdings Ltd)
Current use	Nursing home
GFA	3,562.94 sq m
Title	Leasehold title of 30 years expiring 13 May 2033
Site Area	Lot 1355V of Mukim 14 – 2,000 sq m
Estimated acquisition price	To be negotiated and agreed in good faith between the parties, provided that such purchase price shall not be more than the appraised value of the property as determined by a qualified independent property valuer to be appointed by the Trustee before the signing of the conditional sale and purchase agreement

- 19 Adam Road, Singapore 289891

Vendor	Pacific Hospital Consultants Pte. Ltd. (40.0% owned by Pacific Healthcare Holdings Ltd)
Current use	Hospital
GFA	1,279.95 sq m
Title	Freehold
Site Area	Lot 6975V of Mukim 17 – 1,817.9 sq m
Estimated acquisition price	To be negotiated and agreed in good faith between the parties, provided that such purchase price shall not be more than the appraised value of the property as determined by a qualified independent property valuer to be appointed by the Trustee before the signing of the conditional sale and purchase agreement

- Jalan Listrik No. 6, Sub-District of Petisah Tengah, District of Medan Petisah, Regency of Medan, Province of North Sumatra, Indonesia

Vendor	PT. Nusautama Medicalindo
Current use	Hospital
GFA	12,065 sq m
Title	HGB No. 2087 issued by Kantor Pertanahan Kodya Medan dated 7 September 1994 in accordance with land situation drawing no. 5218/1994 dated 1 September 1994
Estimated acquisition price	To be negotiated and agreed in good faith between the parties, provided that such purchase price shall not be more than the appraised value of the property as determined by a qualified independent property valuer to be appointed by the Trustee before the signing of the conditional sale and purchase agreement

Due diligence is currently being undertaken by the Manager on these properties. In addition, the Manager is negotiating the financing as well as the lease terms with regard to the potential acquisitions and leaseback of these properties.

Capital and Risk Management Strategy

While First REIT will not have any borrowings as at Listing Date, in the event that First REIT incurs any future borrowings, the proposed objectives of the Manager in relation to capital management will be to:

- maintain a strong balance sheet by adopting and maintaining a target gearing ratio;
- secure diversified funding sources from financial institutions and capital markets as First REIT continually assesses regional expansion and acquisition opportunities;
- adopt a proactive interest rate management strategy to manage risks related to interest rate fluctuations; and
- manage the foreign exchange exposure through hedging, where appropriate.

By doing so, the Manager believes that First REIT will optimise Unitholders' returns while maintaining operating flexibility when considering capital expenditure requirements.

The Manager will, in the event that First REIT incurs any future borrowings, periodically review First REIT's capital management policy with respect to its aggregate leverage and modify the policy as its management deems prudent in light of prevailing market conditions. In this situation, its strategy will generally be to match the maturity of its indebtedness with the maturity of its investment assets, and to employ long-term, fixed-rate debt to the extent practicable in view of market conditions in existence from time to time.

In the event that First REIT incurs any future borrowings, the key aspects of the proposed capital and risk management strategy are as follows:

(i) To maintain a target gearing ratio

The Manager will aim to maintain gearing within borrowing limits allowable under the Property Funds Guidelines. Furthermore, by achieving the right ratio of debt and equity, the Manager will be able to minimise cost of capital and maximise returns to Unitholders.

(ii) To secure diversified funding sources from financial institutions and capital markets as First REIT will continually assess regional expansion and acquisition opportunities

In order to finance future acquisitions and refurbishment of properties, in addition to any bank borrowings, the Manager will consider accessing the debt capital markets through the issuance of bonds and/or notes to diversify its source of funding. The debt market provides First REIT with the ability to secure longer term funding options in a more cost-efficient manner. In addition to its debt strategy, the Manager will capitalise on opportunities to raise additional equity capital for First REIT through the issue of additional Units, if First REIT has an appropriate use for such proceeds.

(iii) To adopt a proactive interest rate management strategy

The Manager will adopt a proactive interest rate management policy to manage the risk associated with changes in interest rates on any loan facilities while also seeking to ensure that First REIT's ongoing cost of debt capital remains competitive.

(iv) To manage the foreign exchange exposure through hedging, where appropriate

For future acquisitions, in order to manage the currency risks associated with the capital values of the overseas assets, the Manager will, to the extent possible, adopt a natural hedging strategy by borrowing in the same currency as the underlying asset. First REIT's strategy will generally match the currency denomination of its debt with the currency denomination of its investment assets.

Active Asset Enhancement and Management Strategy

The Manager intends to implement pro-active measures to enhance the returns from the existing and future properties in First REIT's portfolio. Such measures include:

- addition and alteration works, including work carried out for the purpose of expanding size and capacity;
- leveraging and enhancing the properties' competitive strengths to optimise rentals and enhancement projects to maintain the competitive positioning of such properties;
- promoting a niche position for the properties in First REIT's portfolio / raising the profile of the properties in First REIT's portfolio; and
- (in relation to future properties to be acquired by First REIT) obtaining contractual rent escalations under long-term, non-cancellable, "triple-net" leases, backed by security deposits consisting of guarantees, irrevocable letters of credit or cash, most of which cover six months of initial monthly minimum rents. Additional security will be provided typically by covenants regarding minimum working capital and net worth, liens on accounts receivable and other operating assets, and various provisions for cross-default, and cross-collateralisation, as appropriate.

Overview

First REIT is a Singapore-based real estate investment trust 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, whether wholly or partially, and whether directly or indirectly through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

First REIT seeks to produce regular and stable distributions to Unitholders and to achieve long-term growth in the NAV per Unit through growth in rental yields and acquisitions which are in the interests of Unitholders. First REIT's initial asset portfolio will, on Listing Date, comprise the following properties:

- Siloam Hospitals Lippo Karawaci;
- Siloam Hospitals West Jakarta;
- Siloam Hospitals Surabaya; and
- Imperial Aryaduta Hotel & Country Club.

First REIT will initially invest in and own the Properties. Subsequently, the Manager aims to produce attractive total returns for Unitholders by, amongst other things:

- selective acquisition of properties that meet the Manager's investment criteria;
- active management of First REIT's property portfolio to maximise returns; and
- employment of optimum capital structure.

Competitive Strengths

The Manager believes that the competitive strengths of the Properties include:

- **Strategic and Prime Location**

  All of the existing Properties are strategically located in parts of Indonesia with a large catchment area of potential patients or (as the case may be) hotel guests.

  Siloam Hospitals Lippo Karawaci is located in Lippo Karawaci, which is approximately 8 km from the Soekarno-Hatta International Airport in Jakarta. It is conveniently located 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 Merak, an industrial city located on the west coast of Java.

  Siloam Hospitals West Jakarta is located in Kebun Jeruk—in the west of Jakarta. The catchment area of potential patients for this hospital is large, given that it is located in and surrounded by many middle- to upper- income residential areas including Kedoya, Kebun Jeruk and Puri Indah, with a total estimated population of over 1.7 million[(1)].

  Siloam Hospitals Surabaya is located in the central area of Surabaya, the second largest city in Indonesia. The catchment area of potential patients for this hospital is large, given the relatively low number of similar high-quality hospitals in the region.

Note:

(1) Source: Citizenship Branch Office and Civil Register of West Jakarta. Citizenship Branch Office and Civil Register of West Jakarta has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the population figure extracted from http://sudindukcapil.barat.jakarta.go.id/statistik.php and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

Imperial Aryaduta Hotel & Country Club, located in Lippo Karawaci, is a business and recreational complex comprising a 197-room- five star hotel (with 190 saleable rooms) and a country club providing a wide range of sports, recreation, conference, and food and beverage services. It is well positioned to benefit from healthcare tourism, given its location and its proximity to Siloam Hospitals Lippo Karawaci as the hotel provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families.

- **Benefits from the Sponsor's Property Management and Operating Expertise as well as the Sponsor's Expertise in Managing Healthcare Businesses and Properties**

  The Sponsor is an internationally recognised corporation and is also the largest listed broad-based property company in Indonesia, based on its market capitalisation on the JSX and the SSX, of Rp. 5.16 trillion (approximately S$900.0 million) based on the closing price per ordinary share of Rp. 900.0 on the JSX as at 29 September 2006.

  Its property portfolio comprises townships and residential developments, commercial and retail development properties, healthcare, infrastructure and hospitality properties. The Sponsor has a recognised track record in the planning and development of large property, infrastructure and township projects as well as the subsequent ongoing maintenance, upkeep and renovation of properties. In November 2005, Euromoney conferred two awards on the Sponsor, naming it the "Best Property Developer in Indonesia" as well as placing it among the top 10 property developers in the Asia-Pacific region. Subsequently in July 2006, the Sponsor received, from Businessweek Magazine, the "Indonesia's Most Admired Company (IMAC) 2006" award in the category of property developers. The Sponsor employs a number of experienced professionals with in-depth property management and operating experience (see "The Sponsor"). The Manager believes that the Hospitals and Imperial Aryaduta Hotel & Country Club will also benefit from the established "Siloam" and "Aryaduta" brand names respectively.

  The Sponsor's presence in the healthcare business dates back to 1995, when it established and developed Siloam Hospitals Lippo Karawaci in the same year and Siloam Hospitals Lippo Cikarang in 2002. It also acquired and integrated Siloam Hospitals Surabaya in 1996 and 2002 respectively, as well as Siloam Hospitals West Jakarta in 1997 and 1998 respectively. The Sponsor has an experienced and well-qualified team in charge of managing the healthcare business and properties (see "The Sponsor").

- **Centres of Excellence at Each of the Hospitals**

  Each of the Hospitals has its own Centres of Excellence, which is a term used by the Sponsor 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.

  Siloam Hospitals Lippo Karawaci has Centres of Excellence in the areas of neuro-science and cardiology while Siloam Hospitals West Jakarta has Centres of Excellence in urology, obstetrics and gynaecology as well as gastroenterology. Siloam Hospitals Surabaya is known for its Centre of Excellence in providing fertility services.

Competition

First REIT competes for the acquisition, leasing and financing of healthcare and/or healthcare-related assets with healthcare providers, other property funds and corporate property investors, real estate partnerships, banks, insurance companies and other investors.

Its ability to continue to compete successfully for real property investments will be determined by numerous factors, including its ability to identify suitable acquisition or investment targets, its ability to negotiate acceptable terms for any such acquisition and the availability and cost of capital involved.

The Master Lessee, PT. Lippo Karawaci Tbk, will compete with other healthcare operators on a local and regional basis. Its ability to compete successfully for patients to use the healthcare facilities at each of the Hospitals depends on several factors:

- the quality, age and state of its medical equipment at the Hospitals;
- the scope, breadth and quality of services that each of the Hospitals offers to its patients and physicians;
- the number, quality and specialties of the physicians who admit and refer patients to the Hospitals;
- nurses and other healthcare professionals employed by the Hospitals or who are staff of the Properties;
- the reputation of the Hospitals;
- the location and number of competitive healthcare facilities and other systems of healthcare delivery;
- the physical condition of the Hospitals;
- the parking facilities at the Hospitals or proximity of the Hospitals to public transportation; and
- the length of time each Hospital has been a part of the community.

In all geographical areas in which the Master Lessee operates, there are other hospitals which provide services comparable to those offered by First REIT's Hospitals, some of which are for-profit entities and some of which are owned by governmental agencies.

The effect of other laws and regulations may also have a significant impact on the Master Lessee's ability to compete successfully for patients at the Properties.

There are no dominant players in the healthcare industry in Indonesia. The Indonesian competitors are mostly private hospitals located in middle- to upper-income bracket neighbourhoods. Competition in the Indonesian healthcare industry is posed by the Mitra group, which owns four hospitals, three of which are located in Jakarta and one in Surabaya; the Ramsay group, which owns three hospitals, two of which are located in Jakarta and one in Surabaya; the Pluit group, which owns two hospitals located in North Jakarta; and the Pondok Indah group, which owns one hospital in South Jakarta.

Regionally, one of the Master Lessee's major sources of competition comes from healthcare / healthcare related facilities which operate in Singapore, Malaysia and Thailand. The target patients that these countries attract are medium- to high-income medical tourists from around the region, including those from Indonesia. While the Master Lessee does not necessarily anticipate plans to compete with the healthcare or healthcare related operators in these countries, it plans to concentrate its marketing efforts in Indonesia as well as throughout the region, and does not rule out any plans to attract this target patient group.

According to Appendix J—"Independent Report on the Healthcare Industry in Indonesia" by the Independent Healthcare Industry Consultant, the lack of adequate medical facilities in the country has resulted in a large number of Indonesians seeking medical care abroad. Indonesian patients spent approximately US$108 million for medical expenses in 2003 in Singapore alone.

In recent years, competition among healthcare providers for patients has intensified in Indonesia due to, among other things, regulatory and technological changes, increasing use of managed care payment systems, cost containment pressures and a shift toward outpatient treatment. However, the Master Lessee is well positioned in the market due to the following reasons:

- it has a strong brand name in the healthcare industry;
- it is managed by international experts in healthcare; and
- it has international links with countries such as Singapore, Australia and Japan, collaborating on medical research and procedures.

Certain Information on the Hospitals

	Siloam Hospitals Lippo Karawaci	Siloam Hospitals West Jakarta	Siloam Hospitals Surabaya	Total
Year of Building Completion	1995	1991	1977	
Land area (sq m)	17,442	11,420	6,862	35,724
Gross Floor Area (sq m)	27,284	18,234	9,042	54,560
Operational beds as at 30 June 2006	160(1)	205	160	525
Medical experts				
Doctors as at 30 June 2006	163	187	221	571
Nurses and other medical staff as at 30 June 2006	304	332	185	821
Rooms				
Operating rooms	5	5	4	14
Clinical rooms	42	48	18	108
Procedure rooms	4	4	—	8
Centres of Excellence	Neuro-science, cardiology	Urology, Obstetrics and Gynaecology, Gastroenterology	Fertility services	

Note:
(1) The bed capacity for this Hospital is 250.

As part of its commitment to providing quality healthcare services, the Sponsor has established Centres of Excellence at each of the hospitals. The Sponsor's target for each of the Centres of Excellence is to have:

- leading medical specialists;
- state-of-the-art medical equipment and operating theatres;
- quality support services such as pathology, radiology, nursing and rehabilitation health services;
- strong research interest; and
- strong links with other international centres of excellence.

Valuation

Each of the Properties has been valued as at 30 June 2006 by Knight Frank and by HVS International. The appraised values of each of the Properties is set out in the following table:

Property	Appraised value by Knight Frank as at 30 June 2006(1)	Appraised value by HVS International as at 30 June 2006(1)
	(S$)	(S$)
Siloam Hospitals Lippo Karawaci	132,500,000	115,000,000
Siloam Hospitals West Jakarta	71,170,000	63,000,000
Siloam Hospitals Surabaya	23,560,000	25,000,000
Imperial Aryaduta Hotel & Country Club	29,770,000	31,000,000
Total	**257,000,000**	**234,000,000**

Note:
(1) See Appendix I—"Independent Property Valuation Summary Reports".

Purchase Price of the Properties

The table below shows the purchase price of the Properties (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties").

Property	Based on the Offering Price of S$0.71, estimated issue costs of the Offering and issue costs of the Cornerstone Units and of the Consideration Units (assuming that the Over-allotment Option is not exercised) of S$9.8 million
	(S$ million)
Siloam Hospitals Lippo Karawaci	94.3
Siloam Hospitals West Jakarta	50.6
Siloam Hospitals Surabaya	16.8
Imperial Aryaduta Hotel & Country Club	21.2
Total	**182.9**

Future Improvement Works

Under the terms of each of the Master Lease Agreements, the Master Lessee is responsible, for the first two years of the lease term, for all repair and replacement works, whether or not of a capital nature and irrespective of the cost of such works. After the first two years of the lease term, First REIT is responsible for any repair and replacement works in relation to the structural parts of the Properties and the mechanical and electrical equipment which are of a capital nature. Any repair and replacement works which are of an expense nature shall be borne by the Master Lessee.

Insurance

The Properties are insured consistent with industry practice in Indonesia. This includes property damage, public liability insurance (including personal injury) policies, earthquakes, terrorism and sabotage. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including acts of war and outbreaks of contagious diseases.

Legal Proceedings

None of First REIT, the Manager and the Master Lessee is currently involved in any material litigation nor, to the best of the Manager's knowledge, is any material litigation currently contemplated or threatened against First REIT, the Manager and the Master Lessee.

Encumbrances

There are no encumbrances which are presently outstanding with regard to any of the Properties.

Information on the Properties

The Properties are all located in Indonesia. The Properties are each situated on different plots of land, comprising an aggregate of 32 plots of lands. Indonesian land law dictates that only Indonesian individuals, Indonesian government bodies and certain Indonesian religious and social organisations are allowed to hold freehold land. Freehold land in Indonesia is not available to companies (whether Indonesian or foreign owned) or to foreign individuals.

As such, First REIT will as at Listing Date hold the Properties under HGB titles. In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of 'leasehold' title. A holder of the HGB title has the right to erect, occupy and use buildings on the parcel of land and sell all or part of such parcel. A HGB title is granted for a maximum initial term of 30 years. By application to the relevant local land office upon the expiration of this initial term, a HGB title may be extended for an additional term not exceeding 20 years. Following expiration of this additional term, a renewal application may be made.

(See "Overview of Relevant Laws and Regulations in Indonesia—Regulation of the Indonesian Property Development Industry".)

Because of this unique nature of Indonesian land law, the SGX-ST has granted First REIT a waiver from compliance with Rule 222(1) of the Listing Manual which requires properties that have remaining leases of less than 30 years not to, in aggregate, account for more than 50.0% of First REIT's operating profits for the past three years.

SILOAM HOSPITALS LIPPO KARAWACI

Jalan Siloam No. 6, Lippo Karawaci Township, Sub-District of Bencongan, District of Curug, Regency of Tangerang, Province of Banten, Indonesia

Description

Siloam Hospitals Lippo Karawaci is located in Lippo Karawaci, which is approximately 8 km from the Soekarno-Hatta International Airport in Jakarta. It is conveniently located 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 Merak, an industrial city located on the west coast of Java. Notable establishments near the area include the Imperial Aryaduta Hotel & Country Club, the Mochtar Riady Institute and the medical faculty of Pelita Harapan University.

The Lippo Karawaci township, with its relatively high per capita income, has demonstrated high per capita demand and utilisation of medical services in relation to comparable townships. It has a population of over 40,000 and is a sizeable potential patient base. In addition, the nearby Tangerang Regency has a population of approximately 3.0 million.

The hospital was awarded ISO certification 9001:2000 in November 2001 and Indonesian Hospital accreditation from the Ministry of Health in October 2004. In addition, the Quality Assurance Department leads a routine internal quality audit program, which objectively controls and maintains the service quality of each hospital department.

The hospital is currently in the midst of obtaining international accreditation by the United States-based Joint Commission International Accreditation ("**JCIA**") and the Sponsor expects to obtain the accreditation in early 2007. Such accreditation sets a very high international standard in healthcare delivery and service quality, and no hospital in Indonesia has received such accreditation to date.

The CEO of Siloam Hospitals Lippo Karawaci is Dr Grace Frelita. She holds a medical degree from the Catholic University of Atmajaya, and Master Degree in Management and Hospital Administration from Indonusa Esa Unggul University. She has more than 20 years experience in the healthcare industry, having served professionally in a number of private hospitals in Indonesia.

Field of Specialty

The hospital provides an integrated range of healthcare services which consist of general practitioners' clinics, specialist clinics and a full suite of medical and ancillary services. There are two Centres of Excellence namely, neuro-science and cardiology. The hospital offers a comprehensive range of cardiology services ranging from preventive measures to complicated open-heart surgery. In connection with its specialised neuroscience practice, the doctors and medical staff regularly collaborate with the Fujita Health University of Japan and the National Neuroscience Institute of Singapore.

Number of Operational Beds as at 30 June 2006[1]

160

Number of Staff as at 30 June 2006

163 full-time and part-time doctors

304 nurses and medical staff

Note:
(1) The full bed capacity of the hospital is 250.

Land Area

17,442 sq m

GFA as at 30 June 2006

27,284 sq m

Appraised Values

S$132,500,000 by Knight Frank as at 30 June 2006

S$115,000,000 by HVS International as at 30 June 2006

Year of Building Completion

1995

Title

The building was erected on land which is described in various land certificates (see Appendix I— "Independent Property Valuation Summary Reports").

Average Occupancy (%)

65.4% in 2003

72.8% in 2004

67.8% in 2005

Number of car park lots as at 30 June 2006

160

SILOAM HOSPITALS WEST JAKARTA

Jalan Raya Perjuangan, Sub-District of Kebon Jeruk, District of Kebon Jeruk, Regency of West Jakarta, Province of DKI Jakarta, Indonesia

Description

The hospital is located at about 6 km west of Jakarta Central. The West Jakarta area is predominantly allocated for trading activities and medium- to high-density residential dwellings. The catchment area of potential patients for this hospital is large, given that it is surrounded by many middle- to upper-income residential areas including Kedoya, Kebun Jeruk and Puri Indah, with a total estimated population of over 1.7 million[(1)].

In 2003, the hospital initiated a major upgrade of quality services including the appointment of a quality management team. This team has been concentrating on a complete restructure of the nursing staff with a team of clinical instructor nurses working on all aspects of service and clinical quality delivery. The hospital's medical advisory board is working closely with the hospital management to improve the quality of medical services provided by both the hospital and specialists.

Major renovations have just been concluded in early 2006. These involved an upgrade in security with installation of CCTV monitoring of all public areas, installation of a new PABX system, upgrading of air conditioning systems in the out-patient clinic suites, major renovation of the hospital lobby areas on all floors, and refurbishment of 45 beds.

The hospital was awarded with Indonesian Hospital Accreditation from the Ministry of Health in 2002.

The CEO of Siloam Hospitals West Jakarta is Dr Neil Craig Weston. With over 22 years of hospital and healthcare-related administrative experience, Dr Weston, who holds a medical degree from the University of Cambridge, UK, is well equipped to manage the hospital's planning and operations.

Field of Specialty

The hospital has Centres of Excellence in the fields of urology, obstetrics and gynaecology, and gastroenterology.

Urology Centre

This Centre of Excellence is known for its authority in diagnosis and treatment of disorders of the urinary tract or urogenital system, and is supported by a team of highly qualified specialist doctors and modern medical equipment including an Extracorporeal Short Wave Lithotriptor to break stones from the urethra and a Lithoclast to remove stones from bladders and urethras.

Obstetrics and Gynaecology Centre

This Centre of Excellence is known for handling the most complex and difficult cases in labour and delivery and is also known for its research and development of gasless laparoscopy.

Note:

(1) Source: *Citizenship Branch Office and Civil Register of West Jakarta*. Citizenship Branch Office and Civil Register of West Jakarta has not provided its consent, for the purposes of Section 249 (read with Section 302) of the SFA, to the inclusion of the population figure extracted from http://sudindukcapil.barat.jakarta.go.id/statistik.php and is therefore not liable for such information under Sections 253 and 254 (read with Section 302) of the SFA. While the Manager has taken reasonable action to ensure that the information has been reproduced in its proper form and context, and that it has been extracted accurately and fairly, neither the Manager nor any other party has conducted an independent review of, nor verified the accuracy of, such information.

Gastroenterology Centre

As a specialist clinic, this Centre of Excellence is known for the diagnosis and treatment of stomach and intestine disorders as well as for its use of endoscopic surgery, a technique used to remove minor tumours from the digestive system without open surgery.

Number of Operational Beds as at 30 June 2006

205

Number of Staff as at 30 June 2006

187 specialist doctors

332 nurses and medical staff

Land Area

11,420 sq m

GFA as at 30 June 2006

18,234 sq m

Appraised Values

S$71,170,000 by Knight Frank as at 30 June 2006

S$63,000,000 by HVS International as at 30 June 2006

Year of Building Completion

1991

Title

The building was erected on land which is described in various land certificates (see Appendix I—"Independent Property Valuation Summary Reports").

Average Occupancy (%)

60.9% in 2003

61.6% in 2004

60.6% in 2005

Number of car park lots as at 30 June 2006

325

SILOAM HOSPITALS SURABAYA

Jalan Raya Gubeng No. 70, Sub-District of Gubeng, District of Gubeng, Regency of Surabaya, Province of East Java, Indonesia

Description

The hospital is located in the central area of Surabaya, the second largest city in Indonesia. The catchment area of potential patients for this hospital is large, given the relatively lower number of similar high quality hospitals in the region. Furthermore, the Surabaya area is exhibiting strong per capita income growth and this is expected to result in increasing demand for healthcare-related services. Notable establishments near the area include the elementary school, the junior high school and senior high school of Gita Kirti, the Indosat Building, the Office Jamsostek Building and the Bank Negara Indonesia Building.

In 2004, the management structure of the hospital was further developed, including the establishment of:

- a nosocomial infection committee;
- a medical advisory committee; and
- a marketing and public relations department.

In mid 2004, the hospital opened new specialist clinics including a haemorrhoids clinic and a kidney and hypertension clinic. The hospital also recruited new specialist doctors to support its inpatient and outpatient services.

The hospital has participated in many international programs to improve its quality of clinical services, including areas such as infection control, critical care, sterilisation services, medical / surgical wards, and maternity and paediatrics.

The CEO of Siloam Hospitals Surabaya is Dr Jongky I. Surjadibrata. He has a medical degree from the University of Airlangga, Surabaya, and has served as the medical director of the hospital since 1993. Since 2004, he has taken on the role of CEO of the hospital. He is an active member in the Association of Indonesian Hospitals in the East Java Branch and the Association of Indonesian Private Hospitals.

Field of Speciality

The hospital is well known as one of the leading hospitals in Indonesia for its minimally invasive surgery and its fertility centre, in particular, for its assisted reproductive technology. As at 31 December 2005, it has successfully completed more than 2,000 In-Vitro Fertilisation / Intra Cellular Sperm Injection procedures and produced 300 “test tube” babies. The hospital is also equipped with a 4-dimension ultrasonography facility.

Number of Operational Beds as at 30 June 2006

160

Number of Staff as at 30 June 2006

221 full-time and part-time doctors

185 nurses and medical staff

Land Area

6,862 sq m

GFA as at 30 June 2006

9,042 sq m

Appraised Values

S$23,560,000 by Knight Frank as at 30 June 2006

S$25,000,000 by HVS International as at 30 June 2006

Year of Building Completion

1977

Title

The building was erected on land which is described in various land certificates (see Appendix I— "Independent Property Valuation Summary Reports").

Average Occupancy (%)

63.0% in 2003

63.0% in 2004

64.2% in 2005

Number of car park lots as at 30 June 2006

110

IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

Jalan Bulevar Jenderal Sudirman Kav.401, Lippo Karawaci Township, Sub-District of Bencongan, District of Curug, Regency of Tangerang, Province of Banten, Indonesia

Description

Imperial Aryaduta Hotel & Country Club, located in Lippo Karawaci, is a complex comprising a 197-room five star hotel (with 190 saleable rooms) and a country club providing a wide range of sports, recreation, convention and food and beverage services. It is well positioned to benefit from healthcare tourism, given its location and the proximity to Siloam Hospitals Lippo Karawaci as the hotel provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families. In addition, the hotel is preferred by business travellers as it is conveniently located near the business and industrial areas of Tangerang, as well as the industrial areas of Cilegon, approximately 50 km from Lippo Karawaci.

The hotel was opened in 1994 and was integrated with Lippo Karawaci Country Club in 2001, allowing guests the privileges of access to the Imperial Golf Karawaci course and facilities. This is one of the very few hotels with linked country clubs in Jakarta. For 2005, occupancy rates at the hotel were 61.3% with an average room rate of Rp. 432,000.

The hotel comprises a total of 197 guest rooms (with 190 saleable rooms) decorated in contemporary Indonesian design, consisting of 110 deluxe rooms, 24 signature rooms, two signature suites, 10 business suites, two executive suites, one presidential suite, 24 golf cabana deluxe suites and 24 golf cabana suites (each cabana has a private garden patio).

Facilities at the hotel and country club include:

- two grand ballrooms fully equipped with audio-visual equipment which can hold up to a total of 1,050 persons;
- two meeting rooms which can hold up to 230 persons in total;
- a sauna, a steam room and a Jacuzzi;
- function rooms;
- a business centre;
- 24-hour room service and 24-hour security service;
- free parking space for up to 300 cars;
- laundry and valet service;
- a hairdressing salon;
- a sports shop;
- a Panda Kids Club to entertain children; and
- several bars and restaurants such as:
  - Palem Terrace Café (a café offering American-style buffet breakfast, business lunch and international a la carte cuisine);
  - Parrot Garden Restaurant (a Chinese restaurant famous for its Cantonese cuisine and dim sum);
  - RJ's Bar (an underground bar offering daily live entertainment, a widescreen television and an Asian and Western menu);
  - Laguna Bar (a poolside bar serving tropical cocktails and snacks);
  - Pool Bar (a weekend bar offering a variety of fruit cocktails);
  - Hokkaido Japanese Restaurant (an authentic Japanese restaurant);
  - The Gardenia Restaurant (a dining venue offering international cuisine);
  - Lounge Bar (a bar at the hotel lounge serving cocktail and offering live music);

- Bale-Bale Restaurant; and
- Boston Deli (a delicatessen offering, among others, cheeses from around the world, wines, cold cuts and fresh baked breads).

Sports facilities include:

- two swimming pools;
- a gymnasium and an aerobic studio;
- squash courts, badminton courts, tennis courts and basketball courts;
- table tennis and billiard facilities;
- a mini soccer field and a jogging track;
- a rock-climbing wall; and
- a playground and a sand field.

Each room has individually controlled air-conditioning and lighting, multi-channel satellite television (40 channels), in-room facsimile line, tea and coffee making facilities, a mini bar, a safe deposit box and stationery.

The Chief Operating Officer for Hospitality Division of the Sponsor is Mr Krishnadi Kartawidjaja, who has more than 25 years of experience in Indonesia's property and hospitality industry. He is assisted by Mr Paul-Andre Guidat, who has over 30 years of hospitality experience and is currently serving as the General Manager of the Imperial Aryaduta Hotel.

Total Room Capacity as at 30 June 2006

197

Number of Saleable Rooms as at 30 June 2006

190

Land Area

54,410 sq m

GFA as at 30 June 2006

17,427 sq m

Appraised Values

S$29,770,000 by Knight Frank as at 30 June 2006

S$31,000,000 by HVS International as at 30 June 2006

Year of Building Completion

1994

Title

The building was erected on land which is described in various land certificates (see Appendix I— "Independent Property Valuation Summary Reports").

Average Occupancy (%)

50.6% in 2003

61.4% in 2004

61.3% in 2005

Number of car park lots as at 30 June 2006

300

THE MANAGER AND CORPORATE GOVERNANCE

The Manager of First REIT

The Manager, Bowsprit Capital Corporation Limited, was incorporated in Singapore under the Companies Act on 17 May 2006. It has a paid-up capital of S$1.0 million, its registered office is located at 78 Shenton Way, #22-01 Lippo Centre, Singapore 079120 and its telephone and facsimile numbers are (65) 6336 2262 and (65) 6336 2272 respectively.

Directors of the Manager

The Board is entrusted with the responsibility for the overall management of the Manager. The following table sets forth information regarding the Directors:

Name	Age	Address	Position
Mr Albert Saychuan Cheok	56	Penthouse AP-1-1 Sri Langit Condominium Jalan Taman Seputeh 7 Taman Seputeh, 58000 Kuala Lumpur, Malaysia	Chairman and Independent Director
Mr Chan Kin	40	Flat 22C, Tower 3 Tregunter Tower 14 Tregunter Path, Mid-Levels Hong Kong	Non-Executive Director
Mr Goh Tiam Lock	60	Apt Blk 407 Pandan Gardens #15-50 Singapore 600407	Independent Director
Mr Mag Rainer Silhavy	47	27 Sunset Square Singapore 597324	Non-Executive Director
Datuk Robert Chua Teck Chew	60	130 Lorong K, Telok Kurau Singapore 425769	Independent Director
Dr Ronnie Tan	52	81 Meyer Road #11-01 Singapore 437908	Director / Chief Executive Officer

Save as disclosed in this Prospectus, none of the Directors are related to one another, any substantial shareholder of the Manager or any Substantial Unitholder.

Experience and Expertise of the Board of Directors

Information on the business and working experience of the Directors is set out below:

Mr Albert Saychuan Cheok is an independent director of the Manager and is also the Chairman of the Board. He graduated from the University of Adelaide, Australia with First Class Honours in Economics. Mr Cheok is a Fellow of the Australian Institute of Certified Public Accountants. He is a banker with over 30 years experience in banking in the Asia-Pacific region. Between May 1979 and February 1982, Mr Cheok was an adviser to the Australian Government Inquiry into the Australian financial system which introduced comprehensive reforms to the Australian banking system. He was Chief Manager at the Reserve Bank of Australia from October 1988 to September 1989 before becoming the Deputy Commissioner of Banking of Hong Kong for about three and a half years. He was subsequently appointed as the Executive Director in charge of Banking Supervision at the Hong Kong Monetary Authority from April 1993 to May 1995. Until recently, Mr Cheok was the Chairman of Bangkok Bank Berhad in Malaysia, a wholly-owned subsidiary of Bangkok Bank of Thailand. Mr Cheok is currently the Deputy Chairman of Asia Life (M) Bhd., a major insurer in Malaysia. He is also a Director of the Asia Commercial Bank in Hong Kong as well as the Chairman of Auric Pacific Group Limited, a diversified food group with operations in Singapore, China and Malaysia.

Mr Chan Kin is a non-executive director of the Manager. Mr Chan graduated from Princeton University, U.S. and was awarded a Masters in Business Administration from the Wharton School of the

University of Pennsylvania, U.S. From 1992 to 1999, he was an investment banker in Goldman, Sachs & Co. From 2000 to 2001, he held the position of Chief Executive of Lazard Asia Limited. Mr Chan currently owns an indirect shareholding in, and is also the Managing Director of, Argyle Street Management Limited. ASM Funds, one of the Cornerstone Investors, is managed by Argyle Street Management Limited, and owns Battery Road Limited, which in turn owns 10.0% of the Manager.

Mr Goh Tiam Lock is an independent director of the Manager. Mr Goh is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow of the Singapore Institute of Surveyors & Valuers and its President from 1986 to 1987, as well as a Fellow of the Singapore Institute of Arbitrators and its Vice-President from 1985 to 1987. Mr Goh is currently a member of the Strata Titles Board, a position he has held since 1999. In 1971, he held the position of Property Manager in Supreme Holdings Ltd. before joining Jones Lang Wootton as a senior executive in 1974. From 1976 to 1979, he was a partner in MH Goh, Tan & Partners, and subsequently a partner in Colliers Goh & Tan from 1980 to 1988, providing advice to clients on all aspects of real estate development and management. Between 1988 to 1992, Mr Goh held various executive positions such as the Managing Director of Colliers Goh & Tan Pte Ltd, and as a director of Colliers Jardine (S) Pte Ltd. He is currently the Managing Director of Lock Property Consultants, a position he has held since 1993, and advises clients on real estate development and management. He is actively involved in civil and community work, holding positions such as, among others, the Chairman of the Singapore Chinese Chamber of Commerce & Industry Property Management Sub-committee from 1987 to 1989, the Chairman of the Marine Parade Community Club Management Committee from 1984 to 2001, and is also a Master Mediator at the Marine Parade Community Mediation Centre. He has received awards in recognition of his contribution to Singapore, including the Pingkat Bakti Masyarakat (Public Service Medal) (PBM) in 1988 and the Bintang Bakti Masyarakat (Public Service Star) (BBM) in 1997.

Mr Mag Rainer Silhavy is a non-executive director of the Manager. Mr Silhavy graduated from the University of World Trade Vienna, Austria in 1978 with a B.A. degree in Social Science and Economics. In 1985, he was a correspondent banking officer in charge of Europe at the RZB bank in Austria, and was subsequently promoted, in 1986, to senior correspondent banking officer in charge of the far east. He served as RZB's representative in Singapore from 1987 to 1990 where he oversaw operations in Southeast Asia and the Indian sub-continent. During the same period, he served as a director at Bravona Singapore. In 1990, Mr Silhavy was appointed as Chief Representative for Asia, Australia and New Zealand at the RZB bank's representative office in Singapore, where he oversaw RZB's offices in the region. From 2004 to August 2005, he served as the Deputy Chairman of the Supervisory Board at PT. Lippobank, Indonesia, and has been serving as a director and member of the Supervisory Board at Centrotrade Singapore Pte Ltd since 2002. He is currently the General Manager and Chief Executive Officer of the Singapore branch of RZB – Austria where he is involved in the representation of RZB's Central Eastern European (CEE) subsidiaries for Asia-Pacific, involving coverage of CEE markets. RZB-Austria, Singapore Branch, owns Golden Decade International Limited, which in turn owns 10.0% of the Manager.

Datuk Robert Chua Teck Chew is an independent director of the Manager. He brings with him nearly forty years of corporate experience. Datuk Chua co-founded A.C.E. Daikin Group in 1968, and over the span of the next 34 years, led it to be a leading manufacturer of residential, commercial and industrial air conditioners. He was its Executive Chairman and CEO until his retirement from the Group in 2002. He served as a Director on the board of Neptune Orient Lines for six and a half years, before retiring from his directorship on 31 December 2003. He is also a former director of several other public listed companies, including IFS Capital Ltd. (formerly known as International Factors Singapore Ltd.), Singapore Technologies Marine Ltd., Singapore Computer Systems Ltd and Omni Industries Ltd. Datuk Chua is also a former Board Director of ECICS Holdings Ltd., which was at one time owned by the Singapore Government's Temasek Holdings Ltd and 150 international banks. From 1992 to 1994, Datuk Chua was a Nominated Member of the Singapore Parliament. He held the position of President of the Singapore Confederation of Industries (now known as the Singapore Manufacturers Federation). He is a former Deputy Chairman of the Singapore Trade Development Board (now known as International Enterprise Singapore) and past President and Vice president of the Singapore Federation of Chambers of Commerce and Industry (predecessor of the Singapore Business Federation). He was also a Vice President of the ASEAN Chambers of Commerce and Industry. Datuk Chua is the founding co-chairman of the Malaysia-Singapore Business Council and was also involved in many other committees, including the Vietnam-Singapore Commission for Co-operation. Datuk Chua's public services include active directorship and involvement in several Singapore Government Statutory Boards and Committees such as the Economic Development Board, Trade Development Board, Jurong Town Corporation, National Wages Council, National Computer Board and even the Nanyang Technological University. Datuk Chua has led scores of trade and investment missions to several countries in the Asia Pacific region. For his contributions to Singapore's economic and trade promotion, Datuk Chua was awarded the Public Service Star by the President of Singapore in 1994, a "Datukship" by the Governor of Malacca, the "Partners of Local Enterprise" Award 1992 by the Economic Development Board as well as the Singapore Standards Council's Distinguished Service Award in 1991. Datuk Chua is currently the Executive Chairman of the Excellent Family Lifestyle Group, the Chairman of the Singapore National Committee for the International Electrotechnical Commission as well as the Chairman of IEC's Asia Pacific Steering Group.

Dr Ronnie Tan is a director as well as the Chief Executive Officer of the Manager. Dr Tan qualified as a medical doctor from the University of Melbourne in 1977. He worked in various government and private healthcare facilities in Australia and Singapore as a medical practitioner until 1987. After receiving his Master of Health Administration from Loma Linda University, he joined Parkway Holdings Limited as its international business development manager, and also served as Chief Executive Officer of Gleneagles Hospital. In 1995, he worked in Indonesia as executive director of Lippo Group and Chief Executive Officer of Siloam Gleneagles group of hospitals. From 1998 to September 2004, he took various postings as Chief Executive Officer and Director of AsiaMedic Limited and senior executive in Parkway Holdings Limited. Dr Tan was an independent non-executive director and Chairman of the Audit Committee of Auric Pacific Group Limited from 2001 to 2002. He has been appointed as an executive director of Auric Pacific Group Limited since 1 October 2004 and is responsible for the areas of Investor Relations, Business Development (non-food related) as well as Property and Strategic Investments.

A list of the present and past directorships of each Director of the Manager over the last five years preceding 30 September 2006 is set out in Appendix L—"List of Present and Past Principal Directorships of Directors and Executive Officers".

The Key Roles of the Board

The key roles of the Board are to:

- guide the corporate strategy and directions of the Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- oversee the proper conduct of the Manager.

The Board comprises six Directors. The Audit Committee of the Board comprises Mr Albert Saychuan Cheok (Independent Director), Mr Chan Kin (Non-Executive Director), Mr Goh Tiam Lock (Independent Director) and Datuk Robert Chua Teck Chew (Independent Director). Mr Albert Saychuan Cheok will assume the position of Chairman for the Audit Committee.

The Board meets to review the key activities and business strategies of the Manager. The Board intends to meet regularly, at least once every quarter, to deliberate the strategic policies of First REIT, including acquisitions and divestments, approval of the annual budget and review of the performance of First REIT.

Each Director has been appointed on the basis of his professional experience and his potential to contribute to the proper guidance of First REIT. The Directors will contribute in different ways, including using their personal networks to further the interest of First REIT.

The Board has approved a set of internal controls which sets out approval limits for capital expenditure, investments and divestments and bank borrowings as well as arrangements in relation to cheque signatories. In addition, sub-limits are also delegated to various management levels to facilitate operational efficiency.

Changes to regulations and accounting standards are monitored closely by the members of the Audit Committee. To keep pace with regulatory changes, where these changes have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially convened sessions involving the relevant professionals. The management also provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments.

The majority of the Directors are non-executive and independent of the management. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the

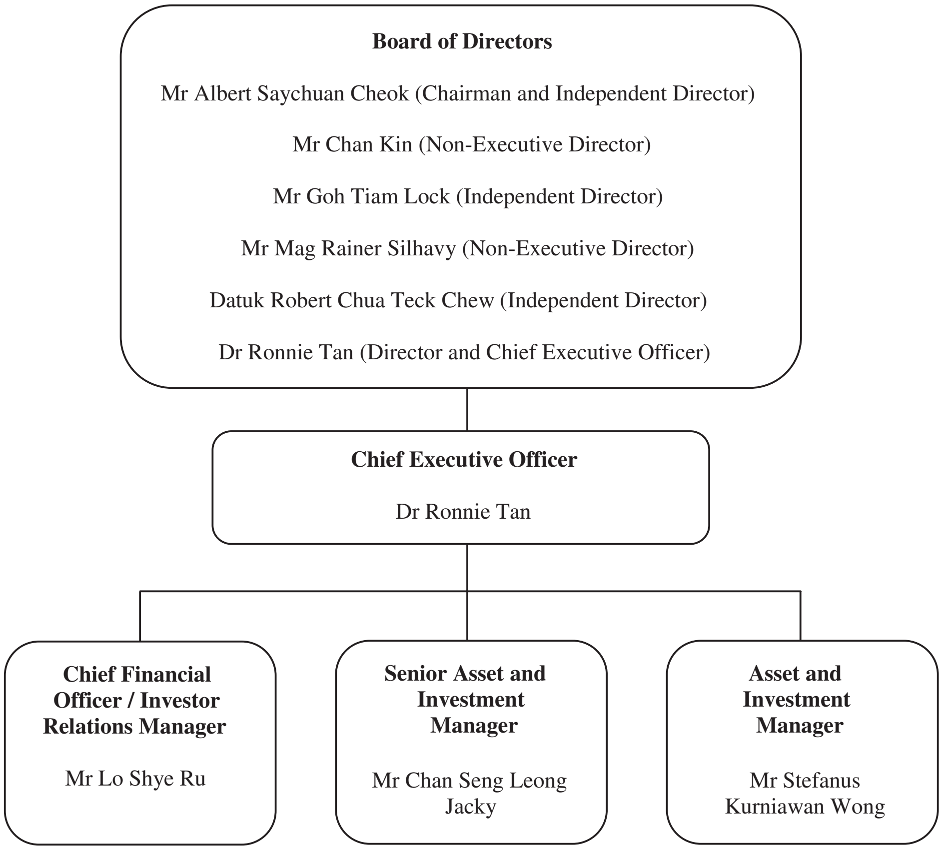
Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

The positions of Chairman of the Board and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board, Mr Albert Saychuan Cheok, is an Independent Director, while the Chief Executive Officer, Dr Ronnie Tan, is an Executive Director.

There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer of the Manager. The Chairman is responsible for the overall management of the Board as well as ensuring that the members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans while the Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager.

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attends to corporate secretarial administration matters and attends all Board meetings. The Board also has access to independent professional advice where appropriate.

Management Reporting Structure of the Board



Executive Officers of the Manager

The Executive Officers of the Manager are entrusted with the responsibility for the daily operations of the Manager. The following table sets forth information regarding the Executive Officers:

Name	Age	Address	Position
Dr Ronnie Tan	52	81 Meyer Road #11-01 Singapore 437908	Chief Executive Officer / Director
Mr Lo Shye Ru	49	16 Pine Grove #04-06 Singapore 597593	Chief Financial Officer / Investor Relations Manager
Mr Chan Seng Leong Jacky	37	Block 240 #02-67 Serangoon Ave 2 Singapore 550240	Senior Asset and Investment Manager
Mr Stefanus Kurniawan Wong	40	Komplex Green Ville Blok V No. 8 Jakarta Barat 11510 Indonesia	Asset and Investment Manager

Roles of the Executive Officers of the Manager

The **Chief Executive Officer** of the Manager will work with the Board to determine the strategy for First REIT. He will also work with the other members of the Manager's management team, such as the investment, asset management and financial personnel, in meeting the stated strategic, investment, and operational objectives of First REIT. Additionally, the Chief Executive Officer will be responsible for planning the future strategic development and the day-to-day operations of First REIT.

The **Chief Financial Officer / Investor Relations Manager** of the Manager will work with the Chief Executive Officer and other members of the Manager's management team to formulate strategic plans for First REIT in accordance with the Manager's stated investment strategy. The Chief Financial Officer / Investor Relations Manager will be responsible for applying the appropriate capital management strategy, overseeing implementation of First REIT's short- and medium-term business plans and financial condition, as well as coordinating fund management activities. In the area of investor relations, he is responsible for facilitating communications and liaison with Unitholders. This includes statutory reporting, such as producing annual reports to Unitholders, and reporting to the SGX-ST in compliance with the Listing Manual. The principal objective of this role is to maintain continuous disclosure and transparent communications with Unitholders and the market. He is also tasked with the responsibility of promoting and marketing First REIT to Unitholders, prospective investors and the media through regular communications, roadshows, events and a corporate website.

The **Senior Asset and Investment Manager**, as well as the **Asset and Investment Manager**, are both responsible for identifying, researching and evaluating potential acquisitions and related investments with a view to enhancing First REIT's portfolio or divestments where a property is no longer strategic or fails to enhance the value of First REIT's portfolio. The Senior Asset and Investment Manager will be focusing on properties, future acquisitions and investments on a regional scope whilst the Asset and Investment Manager will focus on the Indonesia front. They will also recommend and analyse potential asset enhancement initiatives for the properties in First REIT's portfolio. In order to support these various initiatives, the team will develop financial models to test the financial impact of different courses of action. These findings will be research-driven to help develop and implement the proposed initiatives both in Singapore, Indonesia and overseas. Both the Senior Asset and Investment Manager, as well as the Asset and Investment Manager will also be responsible for formulating the business plans in relation to First REIT's properties with short-, medium- and long-term objectives, and with a view to maximising the rental income of First REIT *via* active asset management. They will ensure that the properties in First REIT's portfolio maximise their income generation potential and minimise their expense base without compromising their marketability. In addition, they will also focus on the operations of First REIT's properties and the implementation of First REIT's objectives and strategies.

Executive Officers of the Manager

Information on the working experience of the executive officers of the Manager is set out below:

Experience and Expertise of Executive Officers

Dr Ronnie Tan is the Chief Executive Officer of the Manager. Details of his working experience have been set out in "Directors of the Manager".

Mr Lo Shye Ru is the Chief Financial Officer / Investor Relations Manager of the Manager. Mr Lo graduated in 1983 with a Bachelor of Business Administration from the University of Windsor, Canada, and obtained a Master of Accountancy in 1984 from the University of Georgia, U.S. He successfully completed his examinations from the Institute of America Certified Public Accountants (AICPA) in 1984 and the Institute of Management Accountants (IMA) in 1985. From 1985 to 1989, he rose through the ranks in Blue Cross and Blue Shield (U.S.) from the position of a staff auditor to that of a lead auditor. At Greater Southeast Healthcare System (U.S.), he held the position of Assistant Director for Reimbursement from 1990 to 1993, and subsequently that of Assistant Director for Budget from 1993 to 1994. He was made a director of Budget and Reimbursement in 1994, a role that he held up till 1996. From 1996 to 2000, Mr Lo was the Financial Controller at Gleneagles Hospital Ltd & Parkway Group Healthcare Pte Ltd. His last position with Parkway Group Healthcare Pte Ltd was Vice President of Strategic Planning & Corporate Development.

Mr Chan Seng Leong, Jacky is the Senior Asset and Investment Manager of the Manager. He graduated from the National University of Singapore in 1993 with a Bachelor of Science (Estate Management) (2nd Class Upper Honours) degree and subsequently in 1999 with a Master of Science (Real Estate) degree. In 2002, he obtained a Master in Business Administration degree from the University of Western Australia, Graduate School of Management, Perth, majoring in finance, and was awarded the Director's Letter for scoring full distinctions in the course. Being a member of the Singapore Institute of Surveyors and Valuers as well as a Licensed Appraiser (Lands & Buildings), Mr Chan has extensive real estate and property experience in Singapore, Hong Kong and the PRC. From 1993 to 1998, his work responsibilities involved, among others, property valuations, property sales and marketing, property consulting, real estate research and feasibility studies. In 1998, he joined Chesterton International Property Consultants Pte Ltd as Assistant Manager (Valuations) and was subsequently promoted in rank and file to Executive Director (Valuations & Investment Advisory) where he performed valuations totalling more than S$1 billion worth of real estate in Singapore and regionally, and advised in real estate transactions worth more than S$600 million in total. His scope of responsibilities then included managing and advising real estate transactions, providing real estate market advisory and real estate financial advice, as well as managing key clients' accounts for strategic real estate services. Prior to joining the Manager, Mr Chan was with Ascendas-MGM Funds Management Ltd since early 2005 as the Investment Manager for Ascendas Real Estate Investment Trust. As Investment Manager, he was involved in spearheading multi-million dollar real estate acquisitions, structuring property investment and development deals (such as sale and leaseback, built-to-suit and partial headlease), conduct property due diligence, as well as the planning and implementation of leasing and asset enhancement strategies to improve efficiency.

Mr Stefanus Kurniawan Wong is the Asset and Investment Manager of the Manager. He graduated from Edith Cowan University in 1991 with a Bachelor of Finance and Banking. In 1991, he joined PT. Lippo Pacific Tbk as a Marketing and Credit Analyst Officer, and later joined PT. Lippo Bank Tbk as Senior Manager in the Corporate Banking department, where he subsequently held the position of Vice President until 2005. During this period, he handled corporate accounts (involving construction funding and investment facilities) with projects mostly in property related assets, such as development of apartments, condominiums, shopping centres, factories, hotels, and hospitals. Among others, he was involved in the financing of the construction of Siloam Hospitals Lippo Karawaci and its medical equipments, as well as the renovation and refurbishment of other hospitals under the Siloam brand. His responsibilities during this period included identifying potential assets to be financed, performing feasibility studies by way of financial, business and legal due diligence, recommending and defending financings to the credit committee based on merits of each individual case, analysing risk profiles and monitoring the progress of these financings. He also worked with other financial institutions to form syndications or club deals to raise larger amounts of financing and coordinated all third party professionals on the related agreements. From 1999 to 2002, he was with the Indonesian Banking Restructuring Agency (IBRA), holding the position of Assistant Vice-President, where he led a team of 13 professionals that (i) formulated and provided resolutions to expedite loan recovery in IBRA's property sector; (ii) mapped out the issues hindering such loan recovery/restructuring process; and (iii) evaluated and restructured non-performing loans with a portfolio of about USD 850 million, with 70.0% of the loan portfolio being property related assets as the underlying assets that were financed. He has worked and liaised with consultants, accountants, lawyers, as well as the Minister of Finance and the Coordinating Minister of Economic Affairs, both from the Republic of Indonesia, for higher approvals. In 2002, he joined PT. Amaco Asia as an Associate Director responsible for corporate financial recovery services. From 2003 to 2005, he rejoined PT. Lippo Bank Tbk as the Vice-President of Human Resources in PT. Lippo Bank Tbk, as well as its Vice President of Commercial Banking. From January 2006 up to Listing Date, Mr Stefanus Kurniawan Wong held the position of Associate Director at the Sponsor, where he managed corporate finance related activities.

A list of the present and past directorships of each Executive Officer of the Manager over the last five years preceding 30 September 2006 is set out in Appendix L–"List of Present and Past Principal Directorships of Directors and Executive Officers".

Roles and Responsibilities of the Manager

The Manager has general powers of management over the assets of First REIT. The Manager's main responsibility is to manage First REIT's assets and liabilities for the benefit of Unitholders.

The Manager will set the strategic direction of First REIT and give recommendations to the Trustee on the acquisition, divestment or enhancement of assets of First REIT in accordance with its stated investment strategy.

The Manager has covenanted in the Trust Deed to use its best endeavours to carry on and conduct its business in a proper and efficient manner and to ensure that First REIT's operations are carried on and conducted in a proper and efficient manner and to conduct all transactions with or for First REIT at arm's length and on normal commercial terms.

Furthermore, the Manager will prepare property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions. The purpose of these plans is to explain the performance of First REIT's properties.

The Manager will also be responsible for ensuring compliance with the applicable provisions of the SFA and all other relevant legislation, the Listing Manual, the CIS Code (including the Property Funds Guidelines), the Trust Deed, any tax ruling and all relevant contracts. The Manager will be responsible for all regular communications with Unitholders.

The Manager may require the Trustee to borrow on behalf of First REIT (upon such terms and conditions as the Manager deems fit, including the charging or mortgaging of all or any part of the Deposited Property) whenever the Manager considers, among other things, that such borrowings are necessary or desirable in order to enable First REIT to meet any liabilities or to finance the acquisition of any property. However, the Manager must not direct the Trustee to incur a borrowing if to do so would mean that First REIT's total borrowings and deferred payments exceed 35.0% of the value of its Deposited Property at the time the borrowing is incurred, taking into account deferred payments (including deferred payments for assets whether to be settled in cash or in Units). The Property Funds Guidelines allow a real estate investment trust to borrow more than 35.0% of the value of its Deposited Property (up to a maximum of 60.0%) only if a credit rating from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

In the absence of fraud, negligence, wilful default or breach of the Trust Deed by the Manager, it shall not incur any liability by reason of any error of law or any matter or thing done or suffered to be done or omitted to be done by it in good faith under the Trust Deed. In addition, the Manager shall be entitled, for the purpose of indemnity against any actions, costs, claims, damages, expenses or demands to which it may be put as Manager, to have recourse to the Deposited Property or any part thereof save where such action, cost, claim, damage, expense or demand is occasioned by the fraud, negligence, wilful default or breach of the Trust Deed by the Manager. The Manager may, in managing First REIT and in carrying out and performing its duties and obligations under the Trust Deed, with the written consent of the Trustee, appoint such person to exercise any or all of its powers and discretions and to perform all or any of its obligations under the Trust Deed, provided always that the Manager shall be liable for all acts and omissions of such persons as if such acts and omissions were its own.

Manager's Fees

The Manager is entitled under the Trust Deed to the following management fees:

- a Base Fee at the rate of 0.4% per annum of the value of the Deposited Property; and
- a Performance Fee equal to the rate of 5.0% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the NPI of First REIT or the relevant SPCs for each financial year (calculated before accounting for this additional fee in that financial year).

The Manager has opted to receive the Base Fee in the form of cash in respect of the period from Listing Date to 31 December 2006 and the Projection Year 2007.

The Manager has agreed to receive such proportion of the Performance Fee in respect of the period from Listing Date to 31 December 2006 and Forecast Period 2007 as would be required to support, to the extent possible, the forecast and projected distributions during the said periods, in the form of Units (rather than cash).

The Manager has opted to receive, in respect of the period from Listing Date to 31 December 2006 and the Projection Year 2007, at least 50.0% of the Performance Fee in the form of Units and the balance in cash.

The Manager may elect to receive its management fees in cash or Units or a combination of cash and Units (as it may in its sole discretion determine) after the Projection Year 2007, having regard to the distribution yields to Unitholders and the cash flow of First REIT.

The portion of the management fees payable in the form of Units shall be payable quarterly in arrears and the portion of management fees payable in cash shall be payable monthly in arrears. When management fees are payable to the Manager in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased with the relevant amount of the management fees attributable to the relevant period at an issue price equal to the "market price", being the volume weighted average price per Unit for all trades on the SGX-ST, in the ordinary course of trading, for the last 10 Business Days of the relevant period in which the management fees accrue or, where the Manager believes that such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee), as being the fair market price of a Unit. Units issued to the Manager in payment of the Manager's management fees are equally entitled to receive distributions as with all other Units. Subject to the Manager's undertaking to the MAS not to deal with the Units during certain specified periods, the Manager may, at its option, sell any such Units issued and is entitled to keep any gains made on such sale for its own account.

Any increase in the rate or any change in the structure of the Manager's management fees must be approved by an Extraordinary Resolution passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

The Manager is also entitled to:

- 1.0% of each of the following as is applicable (subject to there being no double-counting):

  (i) the acquisition price of any real estate purchased by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any other payments in addition to the acquisition price made by First REIT or its SPCs to the vendor in connection with the purchase of the real estate (pro rated if applicable to the proportion of First REIT's interest);

  (ii) the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any additional payments made by First REIT or its SPCs to the vendor in connection with the purchase of such equity interests (pro rated if applicable to the proportion of First REIT's interest); or

  (iii) the acquisition price of any investment by First REIT, whether directly or indirectly through one or more SPCs, in any debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate.

- 0.5% of each of the following as is applicable (subject to there being no double-counting):

(i) the sale price of any real estate sold or divested by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any other payments in addition to the sale price received by First REIT or its SPCs from the purchaser in connection with the sale or divestment of the real estate (pro rated if applicable to the proportion of First REIT's interest);

(ii) the underlying value of any real estate which is taken into account when computing the sale price payable for the equity interest of any vehicle holding directly or indirectly the real estate sold or divested by First REIT, whether directly or indirectly through one or more SPCs owned by First REIT, plus any additional payments received by First REIT or its SPCs from the Sponsor in connection with the sale or divestment of such equity interests (pro rated if applicable to the proportion of First REIT's interest); or

(iii) the sale price of any investment by First REIT, whether directly or indirectly through one or more SPCs, in any debt securities of any property corporation or other SPCs owning or acquiring real estate.

For the purpose of this acquisition fee and divestment fee, equity interests include all classes and types of equity securities relating to real estate which shall, for the avoidance of doubt, exclude any investment in debt securities of any property corporation or other special purpose vehicle owning or acquiring real estate.

No acquisition fee is payable for the acquisition of the Properties. In accordance with the Property Funds Guidelines, where the Manager receives a percentage-based fee when First REIT acquires real estate from an interested party, or disposes of real estate to an interested party, the acquisition or divestment fee (as the case may be) should be in the form of Units issued at prevailing market prices, such Units not to be sold within one year from the date of issuance.

Any payment to third party agents or brokers in connection with the acquisition or divestment of any healthcare or healthcare-related or other assets of First REIT shall be paid by the Manager to such persons out of the acquisition fee or the divestment fee received by the Manager, and not additionally out of the Deposited Property of First REIT.

Any increase in the maximum permitted level of the Manager's acquisition fee or divestment fee must be approved by an Extraordinary Resolution passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

Annual Reports

An annual report will be issued by the Manager to Unitholders within three months from the end of each financial year of First REIT, containing, among other things, the following key items:

(i) details of all real estate transactions entered into during the financial accounting period;

(ii) details of First REIT's real estate assets;

(iii) if applicable, with respect to investments other than real property:

(a) a brief description of the business;

(b) proportion of share capital owned;

(c) cost;

(d) (if relevant) Directors' valuation and in the case of listed investments, market value;

(e) dividends received during the year (indicating any interim dividends);

(f) dividend cover or underlying earnings;

(g) any extraordinary items; and

(h) net assets attributable to investments;

(iv) cost of each property held by First REIT;

(v) annual valuation of each property of First REIT;

(vi) analysis of provision for diminution in value of each property of First REIT (to the extent possible);

(vii) annual rental income for each property of First REIT;

(viii) occupancy rates for each property of First REIT;

(ix) remaining term for each of First REIT's leasehold properties;

(x) amount of distributable income held pending distribution;

(xi) details of assets other than real estate;

(xii) details of First REIT's exposure to derivatives;

(xiii) details of First REIT's investments in other property funds;

(xiv) details of borrowings by the Trustee and other financial accommodation to the Trustee in relation to First REIT;

(xv) value of the Deposited Property and the net asset value of First REIT at the beginning and end of the financial year under review;

(xvi) the prices at which the Units were quoted at the beginning and end of the accounting period, and the highest and lowest prices at which the Units were traded on the SGX-ST during the financial accounting period;

(xvii) volume of trade in the Units during the accounting period;

(xviii) the aggregate value of all transactions entered into by the Trustee (for and on behalf of First REIT) with an "interested party" (as defined in the Property Funds Guidelines) or with an "interested person" (as defined in the Listing Manual) during the financial year under review;

(xix) total operating expenses of First REIT in respect of the accounting period, including expenses paid to the Manager and interested parties (if any) and the Trustee, and taxation incurred in relation to First REIT's properties;

(xx) historical performance of First REIT, including rental income obtained and occupancy rates for each property in respect of the accounting period and other various periods of time (*e.g.* one-year, three-year, five-year or 10-year) and any distributions made;

(xxi) total amount of fees paid to the Trustee;

(xxii) name of the manager of First REIT, together with an indication of the terms and duration of its appointment and the basis of its remuneration;

(xxiii) total amount of fees paid to the Manager and the price(s) of the Units at which they were issued in part payment thereof;

(xxiv) an analysis of realised and unrealised surpluses or losses, stating separately profits and losses as between listed and unlisted investments, if applicable; and

(xxv) any extraordinary items.

The first annual report will cover the period from 19 October 2006 (being the date of constitution of First REIT) to 31 December 2007.

Additionally, the Manager has given an undertaking to the SGX-ST that it will announce First REIT's net asset value per Unit on a quarterly basis. Such announcements will be based on the latest available valuation of First REIT's real estate and real estate-related assets, which the Manager has undertaken to conduct at least once a year.

The Manager confirms that for so long as it remains the manager of First REIT and the Sponsor and/or any of its related corporations remains a controlling shareholder of the Manager, it will disclose the Rent/EBITDA ratio of the Properties in its annual report issued to Unitholders.

Retirement or removal of the Manager

The Manager shall have the power to retire in favour of a corporation approved by the Trustee to act as the manager of First REIT.

Also, the Manager may be removed by notice given in writing by the Trustee if:

- the Manager goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or a receiver is appointed over its assets or a judicial manager is appointed in respect of the Manager;
- the Manager ceases to carry on business;
- the Manager fails or neglects after reasonable notice from the Trustee to carry out or satisfy any material obligation imposed on the Manager by the Trust Deed;
- if the Unitholders by an Ordinary Resolution duly proposed and passed by Unitholders present and voting at a meeting of Unitholders convened in accordance with the Trust Deed, with no Unitholder (including the Manager and its Related Parties) being disenfranchised, vote to remove the Manager;
- for good and sufficient reason, the Trustee is of the opinion, and so states in writing, that a change of the Manager is desirable in the interests of the Unitholders; or
- the MAS directs the Trustee to remove the Manager.

Where the Manager is removed on the basis that a change of the Manager is desirable in the interests of the Unitholders, the Manager has a right under the Trust Deed to refer the matter to arbitration. Any decision made pursuant to such arbitration proceedings is binding upon the Manager, the Trustee and all Unitholders.

Corporate Governance of the Manager

The following outlines the main corporate governance practices of the Manager.

Board of Directors of the Manager

The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of First REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of Directors. The Board has established a framework for the management of the Manager and First REIT, including a system of internal control and a business risk management process. The Board consists of six members, three of whom are Independent Directors. None of the Directors has entered into any service contract directly with First REIT.

The composition of the Board is determined using the following principles:

- the Chairman of the Board should be a non-executive Director;
- the Board should comprise Directors with a broad range of commercial experience including expertise in funds management and the property industry; and
- at least one-third of the Board should comprise Independent Directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Audit Committee

The Audit Committee is appointed by the Board from among the Directors and is composed of three members, a majority of whom (including the Chairman of the Audit Committee) are required to be Independent Directors. As at the date of this Prospectus, the members of the Audit Committee are Mr Albert Saychuan Cheok (Chairman and Independent Director), Mr Chan Kin (Non-Executive Director), Mr Goh Tiam Lock (Independent Director) and Datuk Robert Chua Teck Chew (Independent Director). Mr Albert Saychuan Cheok has been appointed as the Chairman of the Audit Committee. Both Mr Goh Tiam Lock and Datuk Robert Chua Teck Chew are resident in Singapore. The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The Audit Committee's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of the Property Funds Guidelines relating to "interested party transactions" (as defined therein) (both such types of transactions constituting "Related Party Transactions");
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing with First REIT;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
- nominating external auditors;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors, without the presence of the Executive Officers, at least on an annual basis;
- examining the effectiveness of financial, operating and compliance controls;
- reviewing the financial statements and the internal audit report;
- investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

Dealings in Units

The Trust Deed requires each Director to give notice to the Manager of his acquisition of Units or of changes in the number of Units which he holds or in which he has an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he holds or in which he has an interest (see "The Formation and Structure of First Real Estate Investment Trust—Directors' Declaration of Unitholdings").

All dealings in Units by Directors will be announced *via* SGXNET, with the announcement to be posted on the Internet at the SGX-ST website http://www.sgx.com.

The Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of First REIT's annual and semi-annual results and (where applicable) property valuations and two weeks before the public announcement of First REIT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and

- at any time while in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST of the particulars of its holdings in the Units and any changes thereto within two Business Days after the date on which it acquires or disposes of any Units, as the case may be. The Manager has also undertaken that it will not deal in the Units in the period commencing one month before the public announcement of First REIT's annual and semi-annual results and (where applicable) property valuations and two weeks before the public announcement of First REIT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuations.

Management of Business Risk

The Board will meet quarterly or more often if necessary and will review the financial performance of the Manager and First REIT against a previously approved budget. The Board will also review the business risks of First REIT, examine liability management and will act upon any comments from the auditors of First REIT.

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and First REIT. In assessing business risk, the Board will consider the economic environment and risks relevant to the property industry. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. The management meets regularly to review the operations of the Manager and First REIT and discuss any disclosure issues.

Potential Conflicts of Interest

The Manager is 10.0% directly owned by Battery Road Limited, 10.0% directly owned by Golden Decade International Limited, and 80.0% directly owned by LK REIT Management Ltd, which is a wholly-owned subsidiary of the Sponsor. As such, the Manager is a subsidiary of the Sponsor.

The Sponsor will receive 75,000,000 Consideration Units upon completion of the Offering. In the event that any one or more of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units which they have committed to subscribe, such Units may be issued to either the Sponsor or at the option of the Sponsor, any of its subsidiaries, as part satisfaction of the cash component of the purchase consideration for the Properties. If all of the Cornerstone Investors fail to subscribe and pay for the Cornerstone Units, the Sponsor will have an aggregate effective interest in 131,000,000 Units (or approximately 48.3% of the Units expected to be in issue on Listing Date), assuming that the Over-allotment Option is not exercised at all or 111,000,000 Units (or approximately 40.9% of the Units expected to be in issue on Listing Date), assuming that the Over-allotment Option is exercised in full. The Sponsor, its subsidiaries and associates are engaged in, and/or may engage in, amongst other things, portfolio management, investment in, and the development, management and operation of hospitals and hotels in Indonesia and elsewhere in the region.

As a result, the strategy and activities of First REIT may be influenced by the overall interests of the Sponsor. Moreover, the Sponsor may in the future sponsor, manage or invest in other real estate investment trusts or other vehicles which may also compete directly with First REIT. Furthermore, the Sponsor is the Master Lessee under the terms of the Master Lease Agreements (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Master Lease Agreements").

To mitigate the risks of potential competition with First REIT, the Master Lease Agreements contain, among others, a right of first refusal clause as well as a non-competition clause. The right of first refusal clause grants to the relevant Indonesian SPC landlord, which will be indirectly owned by First REIT on Listing Date, a right of first refusal to purchase from the Sponsor and/or its subsidiaries healthcare and/or healthcare-related hospitality assets which are owned by the Sponsor and/or any of its subsidiaries (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Right of First Refusal"). The non-competition clause states that the Sponsor shall, prior to entering into any legally binding contract to acquire any healthcare and/or healthcare-related hospitality property located in Jakarta, Surabaya and Tangerang, give a written notice to First REIT of its intention to acquire such property. Both of these clauses are effective for as long as Bowsprit Capital Corporation Limited remains the manager of First REIT, and the Sponsor and/or any of its related corporations remains a controlling shareholder of the Manager (see "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Non-Competition Clause"). The right of first refusal clause and the non-competition clause in each of the Master Lease Agreements will be applicable notwithstanding the expiry or termination of the Master Lease Agreement for so long as the relevant landlord is held by First REIT.

The Manager has also instituted the following procedures to deal with conflicts of interest issues:

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as First REIT.
- All executive officers will be employed by the Manager.
- All resolutions in writing of the Directors in relation to matters concerning First REIT must be approved by a majority of the Directors, including at least one Independent Director.
- At least one-third of the Board shall comprise Independent Directors.
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude nominee Directors of the Sponsor and/or its subsidiaries.
- It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of First REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of First REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of First REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Related Party Transactions

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Related Party Transactions will be undertaken on normal commercial terms and will not be prejudicial to the interests of First REIT and the Unitholders. As a general rule, the Manager must demonstrate to its Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Guidelines).

The Manager will maintain a register to record all Related Party Transactions which are entered into by First REIT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into. The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by First REIT. The Audit Committee shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Guidelines have been complied with. Furthermore, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of First REIT's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of First REIT's net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of First REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Where matters concerning First REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of First REIT with a related party of the Manager (which would include relevant Associates thereof) or First REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of First REIT and the Unitholders, and in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or First REIT. If the Trustee is to sign any contract with a related party of the Manager or First REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

Save for the transactions described under "—Related Party Transactions in connection with the setting Up of First REIT" and "—Exempted Agreements", First REIT will comply with Rule 905 of the Listing Manual by announcing any interested person transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of First REIT's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in First REIT's annual report for the relevant financial year.

Role of the Audit Committee for Related Party Transactions

The Audit Committee will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Related Party Transactions in connection with the setting up of First REIT and the Offering

The Trustee, on behalf of First REIT, has entered into a number of transactions with the Manager and certain related parties of the Manager in connection with the setting up of First REIT and the Offering. These Related Party Transactions are as follows:

- The Trustee has entered into the Trust Deed with the Manager. The terms of the Trust Deed are generally described in "The Formation and Structure of First Real Estate Investment Trust".
- The Trustee has entered into the Singapore SPC Share Purchase Agreements with the Vendor for the sale and purchase of all of the ordinary shares and redeemable preference shares in the Singapore SPCs at completion. These Singapore SPC Share Agreements are more particularly described in "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Singapore SPC Share Purchase Agreement". The Trustee has also entered into the Deeds of Indemnity with the Sponsor pursuant to which the Sponsor will, subject to certain conditions, indemnify the Trustee against liabilities or damage suffered by the Trustee arising from the Singapore SPC Share Purchase Agreements (the "**Deeds of Indemnity**").

- The Indonesian SPCs, which will be indirectly owned by the Trustee as at Listing Date, have entered into the Master Lease Agreements with the Master Lessee for the operation, maintenance, management and marketing of the Properties and all other properties subsequently acquired by First REIT. This agreement is more particularly described in "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Master Lease Agreements".

The Manager considers that the Master Lessee has the necessary expertise and resources to perform the property management, lease management and marketing services for the Properties.

Based on its experience, expertise and knowledge of contracts, the Manager believes that the Master Lease Agreements were made on normal commercial terms and is not prejudicial to the interests of First REIT and the Unitholders.

Save as disclosed in this Prospectus, the Trustee has not entered into any other transactions with the Manager or any related party of the Manager in connection with the setting up of First REIT.

Exempted Agreements

The fees and charges payable by First REIT to the Manager under the Trust Deed and the leasing of the Properties to the Master Lessee under the Master Lease Agreements, each of which constitutes a Related Party Transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect First REIT. However, the renewal of such agreements will be subject to Rules 905 and 906 of the Listing Manual.

Future Related Party Transactions

As a real estate investment trust, First REIT is regulated by the Property Funds Guidelines and the Listing Manual. The Property Funds Guidelines regulate, among other things, transactions entered into by the Trustee (for and on behalf of First REIT) with an interested party relating to First REIT's acquisition of assets from or sale of assets to an interested party, First REIT's investment in securities of or issued by an interested party and the engagement of an interested party as property management agent or marketing agent for First REIT's properties. Depending on the materiality of transactions entered into by First REIT for the acquisition of assets from, the sale of assets to or the investment in securities of or issued by, an interested party, the Property Funds Guidelines may require that an immediate announcement to the SGX-ST be made, and may also require that the approval of the Unitholders be obtained.

The Listing Manual regulates all interested person transactions, including transactions already governed by the Property Funds Guidelines. Depending on the materiality of the transaction, First REIT may be required to make a public announcement of the transaction (Rule 905 of the Listing Manual), or to make a public announcement of and to obtain Unitholders' prior approval for the transaction (Rule 906 of the Listing Manual). The Trust Deed requires the Trustee and the Manager to comply with the provisions of the Listing Manual relating to interested person transactions as well as such other guidelines relating to interested person transactions as may be prescribed by the SGX-ST to apply to REITs.

The Manager may at any time in the future seek a general annual mandate from the Unitholders pursuant to Rule 920(1) of the Listing Manual for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, including a general mandate in relation to leases and/or licence agreements to be entered into with interested persons, and all transactions conducted under such general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the Trustee will appoint an independent financial adviser (without being required to consult the Manager) pursuant to Rule 920(1)(b)(v) of the Listing Manual to render an opinion as to whether the methods or procedures for determining the transaction prices of the transactions contemplated under the annual general mandate are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of First REIT and the Unitholders.

Both the Property Funds Guidelines and the Listing Manual requirements would have to be complied with in respect to a proposed transaction which is *prima facie* governed by both sets of rules. Where matters concerning First REIT relate to transactions entered or to be entered into by the Trustee for and on behalf of First REIT with a related party (either an "interested party" under the Property Funds Guidelines or an "interested person" under the Listing Manual) of the Manager or First REIT, the Trustee is required to ensure that such transactions are conducted in accordance with applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question.

The Manager is not prohibited by either the Property Funds Guidelines or the Listing Manual from contracting or entering into any financial, banking or any other type of transaction with the Trustee (when acting other than in its capacity as trustee of First REIT) or from being interested in any such contract or transaction, provided that any such transaction shall be on normal commercial terms and is not prejudicial to the interests of First REIT and the Unitholders. The Manager shall not be liable to account to the Trustee or to the Unitholders for any profits or benefits or other commissions made or derived from or in connection with any such transaction. The Trustee shall not be liable to account to the Manager or to the Unitholders for any profits or benefits or other commission made or derived from or in connection with any such transaction.

Generally, under the Listing Manual, the Manager, its "connected persons" (as defined in the Listing Manual) and any directors of the Manager are prohibited from voting their own respective Units at, or being part of a quorum for, any meeting to approve any matter in which it has a material interest in the business to be conducted.

THE SPONSOR

In July 2004, there was a merger of eight property-related companies, forming the Sponsor. The Sponsor is an internationally recognised corporation and is also the largest listed broad-based property company in Indonesia, based on its market capitalisation on the JSX and the SSX, of Rp. 5.16 trillion (approximately S$900.0 million) based on the closing price per ordinary share on the JSX of Rp 900.0 as at 29 September 2006. It develops residential, commercial and retail, and light industrial areas throughout Indonesia, with the majority of its current developments based in and around Jakarta.

The Sponsor's property portfolio comprises townships and residential developments, commercial and retail development properties, healthcare, infrastructure and hospitality properties. It has three townships and one micro-suburb, six developed commercial and retail centres, four hospitals, and owns four hotels, three of which it manages.

The merger strengthened recurring cash flows, achieved economies of scale and reduced exposure to business cycles. As a result of the merger, all assets and liabilities of the merged companies became the Sponsor's assets and liabilities. The effect of the merger was to acquire the Healthcare and Hospitality and Infrastructure business segments and to expand the Housing and Land Development business segment as well as to increase the Sponsor's market capitalisation. Since the merger, the Sponsor has established itself as the largest broad-based property company in Indonesia with a strong recurring income base. The Sponsor is listed on the JSX and the SSX in Indonesia. It is also included in the LQ 45 Index (as defined herein).

In November 2005, Euromoney conferred two awards on the Sponsor, naming it the "Best Property Developer in Indonesia" as well as placing it among the top 10 property developers in the Asia-Pacific region. Subsequently in July 2006, the Sponsor received, from Businessweek Magazine, the "Indonesia's Most Admired Company (IMAC) 2006" award in the category of property developers. The methodologies applied by Euromoney on the rating survey were (i) creativity of the developer in composing product and ability to create investment opportunities, (ii) quality of the products, and (iii) financial ability. Inputs from commercial banks, investment banks and real estate advisers were taken into consideration when determining the award recipient. The Sponsor is staffed by experienced professionals, all of whom have in-depth property management and operating experience.

The business structure of the Sponsor has three main aspects:

i. **Housing and Land Development**. Urban development of residential, commercial, retail and industrial real estate.

Started in 1993 with the development of the Lippo Karawaci urban development and subsequent Lippo Cikarang and Tanjung Bunga urban developments, the Sponsor has pioneered the development of "Edge Cities" in Indonesia. "Edge Cities" are designed and constructed with all necessary infrastructure to establish self-contained cities beyond the boundaries of larger cities, in the case of Lippo Karawaci and Lippo Cikarang, to the west and east of Jakarta, respectively. The Sponsor is internationally recognised and has won awards for such developments. These three urban developments have a combined population of more than 70,000 residents, 18,000 homes and employ more than 120,000 workers. In addition, the Sponsor owns six commercial and retail centres, amounting to over 250,000 sq m of saleable area and 40,000 sq m of retail space, available for leasing.

ii. **Healthcare**. Owning and managing four hospitals, Siloam Hospitals Lippo Karawaci, Siloam Hospitals West Jakarta, Siloam Hospitals Surabaya and Siloam Hospitals Lippo Cikarang(1) with a total of 591 operational beds, and a bed capacity of 835, located in parts of Indonesia such as Jakarta, Greater Jakarta and Surabaya. Specialist medical services offered include complex surgical procedures, laboratory, radiology and imaging, general healthcare and emergency services. In its hospitals, the Sponsor has developed Centres of Excellence in various areas of healthcare, which are recognised as providing premium healthcare services in Indonesia.

Note:

(1) Siloam Hospitals Lippo Cikarang is 50.0% owned by the Sponsor and 50.0% owned by PT Nusa Medika Perkasa, which is in turn 21.9% owned by PT Lippo Cikarang Tbk. The Sponsor owns 51.3% of PT Lippo Cikarang Tbk.

iii. **Hospitality and Infrastructure**. Manages hotel operations and operates a number of restaurants and other facilities located around Indonesia. Services also include quality urban management services such as security, water and sewage treatment, daily garbage collection, health and hygiene services, landscape, roads and drains maintenance and public transportation services to the residents of Lippo Karawaci, Lippo Cikarang and Tanjung Bunga urban developments. This provision of high quality, privately operated and commercially managed urban management is unique in Indonesia.

The Sponsor has developed over 280 km of highways and roads, water treatment plants, traffic control services, in addition to four hotels with a total of over 800 rooms and a 2,125 sq m food court.

The Sponsor is currently undergoing international accreditation by JCIA for Siloam Hospitals Lippo Karawaci and expects to complete this process by early 2007. The Sponsor believes that its medical services are amongst the best private healthcare services available in Indonesia, and it markets its healthcare products and services to middle- and upper-income consumers.

The Sponsor has developed Centres of Excellence in various areas at its hospitals, including the fields of cardiology, neuroscience, fertility services and obstetrics and gynaecology. The Sponsor believes that its Centres of Excellence are recognised in Indonesia as providing sophisticated services and healthcare. Doctors practising in competing public and private hospitals regularly recommend the Sponsor's hospitals' services in such specialty areas. These Centres of Excellence have also provided the Sponsor with the opportunity to train specialist doctors and nursing staff. The Sponsor believes that these Centres of Excellence have also helped it to retain trained medical staff.

To ensure that the Sponsor's medical facilities are operated to the highest standards, it actively collaborates with international medical providers, including those in Singapore, Australia and Japan.

The Sponsor's total revenue was Rp. 2,052 billion (approximately S$351.8 million) in FY2005 and Rp. 877 billion (approximately S$153.3 million) in HY2006. Its market capitalisation on the JSX and the SSX was Rp. 5.16 trillion (approximately S$900.0 million) based on the closing price per ordinary share on the JSX of Rp. 900.0 as at 29 September 2006. 40.1% of its revenue in 2005 was derived from recurring income (including rental income from its residential, commercial and retail, and revenues from the operation of its five medical facilities and operation of its hotels). 59.9% of its revenue in 2005 was derived from development income (including the development and sale of residential, commercial and retail and light industrial properties).

The table below, which was prepared based on IFRS, sets forth the consolidated revenues, presented in accordance with IFRS, generated by each of the Sponsor's Housing and Land Development, Healthcare, as well as Hospitality and Infrastructure business segments in the periods indicated.

The consolidated revenues shown in the table below have been translated for convenience and as a matter of arithmetical computation only. The consolidated revenues are translated at average rates of exchange for FY2005 and for the six months ended 30 June 2006. The exchange rates used for FY2005 and HY2006 are S$1 to Rp. 5,833 and S$1 to Rp. 5,722 respectively. Such translations should not be construed as a representation that the Singapore dollar amounts could be converted into Indonesian Rupiah at the above rate or other rate.

	Financial Year Ended 31 December 2005			**Six Months Ended 30 June 2006**		
	Rp. million	**S$'000**	**%**	**Rp. million**	**S$'000**	**%**
Housing and Land Development	1,229,359	210,755	59.9	414,918	72,513	47.3
Healthcare	487,449	83,570	23.8	288,156	50,359	32.9
Hospitality and Infrastructure	335,413	57,504	16.3	174,056	30,419	19.8
Total	**2,052,221**	**351,829**	**100.0**	**877,130**	**153,291**	**100.0**

A formal credit rating on the Sponsor has been carried out by various credit rating agencies. The Sponsor was rated B+ by Standard & Poor's as at 22 February 2006, B+ by Fitch as at 24 March 2006 and B1 by Moody's as at 19 May 2006.(1)

The Sponsor has prepared unaudited consolidated financial statements for the nine months ended 30 September 2006, in accordance with Indonesian generally accepted accounting principles. These consolidated financial statements have not been audited or reviewed by external auditors. On 23 November 2006, Moody's changed its outlook for the Sponsor from stable to negative. Moody's stated that the change in outlook was in response to the Sponsor's weaker than anticipated financial results for the nine months ended 30 September 2006. The rating outlook by Standard & Poor's and Fitch remains stable.

Note:

(1) The Republic of Indonesia has the following credit ratings: BB- (Standard & Poor's), BB- (Fitch) and B1 (Moody's).

As at 31 December 2005, the Sponsor has completed six commercial and retail development projects with a total net saleable area of 212,188 sq m and has seven commercial and retail development projects under development with an estimated total saleable area of approximately 270,000 sq m. Significant projects that have already been developed or are currently being developed by the Sponsor include:

- Lippo Karawaci township located in west of Jakarta;
- Lippo Cikarang township located in east of Jakarta;
- Tanjung Bunga located in Makassar;
- Puncak Resor located in West Java;
- Metropolis Town Square located in Kota Modern, West Jakarta;
- World Trade Centre Matahari located in Serpong, West Jakarta;
- GTC Makassar located in Makassar, South Sulawesi;
- Malang Town Square located in Malang, East Java;
- Depok Town Square located in Depok, South Jakarta;
- Medan Grand Palladium located in Medan, North Sumatra;
- City of Tomorrow located in Surabaya, East Java;
- Puri "Paragon City" located in West Jakarta;
- Kemang Village located in South Jakarta; and
- Depok Apartments located in Depok, South Jakarta.

The Lippo Karawaci urban development was the Sponsor's first significant project which commenced construction in 1993 and is located approximately 30 km west of central Jakarta. The development currently has a population of approximately 40,000 residents and has been developed on an area of approximately 1,032 hectares of land. It includes 9,124 homes, shophouses and four apartment/condominium towers with a total of 1,146 units. The development has become a regional centre for office properties, shopping, entertainment and recreation (including a five star hotel, resort and a 67 hectare golf course). Notable establishments within the Lippo Karawaci urban development include Siloam Hospitals Lippo Karawaci, the Pelita Harapan University and an internationally accredited English language educational institution offering preschool to secondary level facilities. More than 108 km of roads were built by the Sponsor within the development.

Through the Sponsor's two publicly-listed subsidiaries, PT Lippo Cikarang Tbk, of which it owns 51.3%, and PT Gowa Makassar Tourism Development Tbk, of which it owns 50.3%, the Sponsor has developed and operated urban developments at Lippo Cikarang in East Jakarta and Tanjung Bunga in Makassar, respectively. Lippo Cikarang was launched in 1993 and Tanjung Bunga in 1996. The Sponsor has recently developed the Royal Serpong Village, a gated micro-suburb at Serpong located to the west of Jakarta, which includes a secure and exclusive 150-home residential development.

In 2002, the Sponsor launched its first retail strata-titled project, WTC Matahari, a retail shopping mall located in West Jakarta. Since that time, it has developed the retail and commercial properties of Metropolis Town Square in Kota Modern, West Jakarta; Depok Town Square in Depok, South Jakarta; Malang Town Square in Malang, East Java; GTC Makassar in Makassar, South Sulawesi and Medan Grand Palladium in Medan, North Sumatra.

As at 31 December 2005, the Sponsor has approximately 2,079 hectares of land available for its township development, in addition to landbanks for its commercial retail development, which figures among the largest landbanks among all Indonesian property companies. This is anticipated to be sufficient for the Sponsor's planned development projects for the next 15 to 20 years. The significant size of its landbank provides the Sponsor with the flexibility to develop or divest areas of land to take advantage of cyclical property market conditions and reduces its exposure to the complexities of land acquisitions in Indonesia faced by many of its competitors which do not have similar significant landbanks.

The Sponsor has formulated a strategy for its healthcare business:

- **Expansion of existing network of hospitals and clinics**—The aim is to create or acquire more healthcare and/or healthcare-related assets such as hospitals and clinics outside of townships to create an entry barrier. The Sponsor's first specialist clinic named Semanggi Specialist Clinics is located in The Plaza Semanggi, South Jakarta and was opened in end 2005. The Sponsor targets to build a further three to four specialist clinics annually. It is the Sponsor's belief that a network of clinics is crucial to complement its hospital network and to enable it to be in close proximity to its target market segment. The Sponsor also has plans to build a new 250-bed hospital in Jakarta, together with a new National Tumour Centre.
- **Increase international collaboration and improve expertise and facilities**—The Sponsor will strengthen ties with various medical institutions and hospitals in Western Australia and China which will provide support in terms of medical and research staff. Steps will be taken to continuously upgrade the staff by bringing in foreign medical and research experts. The wards will be refurbished from time to time and modern medical equipment will be added to the existing ones.
- **Obtain international accreditation**—Siloam Hospitals Lippo Karawaci, which has already received national accreditation, is currently undergoing international accreditation by the U.S.-based in point of JCIA, and the Sponsor expects to complete this process by early 2007. To date, no hospital in Indonesia has been JCIA-accredited.
- **Intensify marketing efforts**—The Sponsor has recently rebranded the "Siloam" brand as the "Siloam Hospitals" brand and has embarked on an aggressive marketing plan to establish it as an international brand. Efforts will also be made to enlarge the "Siloam Hospitals" brand's corporate client base.
- **Developing a nursing school**—The Sponsor has plans to develop its own nursing school to provide a continuous supply of qualified nurses to its hospitals and to train and further upgrade its existing nursing staff.
- **Developing a national tumour centre**—The Sponsor aims to develop a comprehensive tumour centre with modern medical and research facilities as well as advanced equipment to provide cutting-edge cancer research and treatment.

Location of Developments

The following map shows, as at 31 December 2005, the geographic distribution of the Sponsor's developments in Indonesia. Its operations are located in diverse and the more economically developed regions in Indonesia.

The following map shows, as at 31 December 2005, the geographic distribution of the Sponsor's developments in the greater Jakarta area. Its significant presence in the property market in Jakarta and its surrounding areas demonstrates its belief that these areas offer high consumer demand which are currently under-served.

Key Shareholders of the Sponsor

- **Lippo-related companies**

In 1990, the Riady family founded PT. Tunggal Reksa Kencana which was subsequently merged with PT. Lippo Land Development Tbk, PT. Siloam Healthcare Tbk, PT. Aryaduta Hotels Tbk, PT. Kartika Abadi Sejahtera, PT. Sumber Waluyo, PT. Ananggadipa Berkat Mulia and PT. Metropolitan Tatanugraha to form the Sponsor. The family currently has an indirect shareholding in the Sponsor through various companies. These companies include Pacific Asia Holdings Ltd and other shareholders who collectively hold 27.0% of the Sponsor. Pacific Asia Holdings Ltd holds 13.9% of the Sponsor, and none of the other Lippo-related companies individually holds more than 5.0% of the Sponsor. The Lippo-related companies are involved in retail, telecommunications, entertainment, multimedia and financial services. Benefits that the Lippo-related companies bring to the Sponsor are synergies with other group entities including, but not limited to, Matahari retail stores, hypermarkets and Timezone arcade centres. The Manager believes that these companies take an interest, as shareholders, in the performance of the Sponsor. An independent professional management team operates the Sponsor's businesses for the benefit of all of the shareholders of the Sponsor.

- **China Resources group of companies**

The China Resources group of companies beneficially own 15.4% of the Sponsor through a subsidiary, Greatmind Investment Ltd. It is a Chinese government-owned conglomerate with diverse and substantial investments and operations in the PRC, Hong Kong and Asia. It is also one of the leading property developer in China, having developed nearly 50 real estate projects, including the Xidan commercial area, Dongguanying residential area, Jiangongnanli residential area and Sunny Up town. It also has substantial businesses in food products, retailing, infrastructure and trading. Listed entities under its stable include China Resources Enterprise, China Resources Land, China Resources Logic, China Resources Cement Holdings, China Resources Power Holdings Co. and China Resources Peoples Telephone Co. The China Resources group of companies benefit the Sponsor by providing its vast experience in property development, institutionalising better business practices and support for future capital raising.

- **CP Inlandsimmobilien Holding Gmbh ("CPIHG")**

CPIHG owns 7.8% of the Sponsor beneficially through its wholly-owned subsidiary, Capital Bloom Investment Ltd. CPIHG, which is mandated to invest in properties in developing countries, is the investment banking real estate arm of Austria's Raiffeisen Bank, which was established in 1990 and, as at the date of this Prospectus, has 15 subsidiaries in Austria.

The public owns the remaining 49.8% of the Sponsor, as at the date of this Prospectus.

Financial Adviser to the Sponsor: PT. Ciptadana Capital

PT. Ciptadana Capital is an Indonesian-incorporated company which undertakes predominantly investment banking activities, and owns various subsidiary companies dealing in, among others, securities, asset management and multifinance. It is the financial adviser to the Sponsor and assists the Sponsor in, among other things, the structuring of the divestment of the Properties by the Sponsor, the provision of information and data relating to the Properties and the Sponsor, and liaising with Indonesian regulators and professional advisers.

The Hospital Operator

The Hospital Operator is a wholly-owned subsidiary of the Sponsor. It is one of the largest privately owned healthcare companies in Indonesia and provides a full range of healthcare services available in hospitals, such as general surgery, cardiology, oncology, neurosurgery, orthopaedics, obstetrics, diagnostic and emergency services. Other services provided by the Hospital Operator include outpatient and ancillary healthcare services such as outpatient surgery, laboratory and radiology diagnostic, respiratory therapy, physical therapy and executive health screening.

All of the hospitals managed by the Hospital Operator are each governed by a management committee and a medical committee, which includes members of the hospital's medical staff. The management committee and the medical committee establish and monitor policies concerning the hospital's medical, professional and ethical practices, ensuring that these practices conform to legally required standards.

The Hospital Operator's mission is to continuously improve the quality of healthcare services provided to the communities it serves, while simultaneously generating strong financial performance and appropriate returns to its investors. The Hospital Operator believes that its commitment to providing quality healthcare is evidenced by the achievements and accomplishments awarded to its hospitals by independent companies that rate the quality of healthcare organisations. Siloam Hospitals Lippo Karawaci has recently completed a mock survey process to obtain International Accreditation from JCIA and the Sponsor expects to complete the accreditation process by early 2007.

The Hospital Operator seeks to attract and retain qualified doctors of varied specialisations by improving facilities and maintaining high ethical and professional standards. Its hospitals are run by qualified and experienced personnel, such as:

- **Michael Vaughan Henderson**—Professor Henderson is the Chairman of the Board of Advisers of the Hospital Operator. He has been pivotal in creating and developing a number of international healthcare businesses and research institutes, bringing with him strong commercial skills and corporate governance;
- **Andrew Mills**—Mr Mills, the Director of Marketing of Siloam Hospitals, has broad experiences in sales and marketing expertise spanning services, consumer, information technology and products marketing, retail financial services, market research and healthcare; and
- **Julie McCaughan—**Ms McCaughan, the Clinical Improvement Director, is a qualified nurse and has many years of experience holding senior management positions in large hospitals in Australia. She had previously won the "Nurse of the Year" award in 2004 in Perth and has broad clinical expertise spanning different medical aspects.

The Hotel Operator: PT. Aryaduta International Management

The Hotel Operator, PT. Aryaduta International Management, was incorporated in Indonesia on 11 October 1997. Its registered office is located at Jalan Prapatan No. 44-48, Jakarta Pusat, Indonesia. The Hotel Operator is a wholly-owned subsidiary of the Sponsor and has vast experience in managing, among others, hotels, resorts, restaurants, and facilities dedicated to leisure and conventions.

Aryaduta's first hotel, Aryaduta Hotel Jakarta, was built in 1969. It is managed by Hyatt International and is located in central Jakarta close to the main business, shopping and entertainment districts. Three of the other hotels which the Hotel Operator currently manages as at the date of this Prospectus, include the Imperial Aryaduta Hotel & Country Club in Lippo Karawaci—Tangerang, the Imperial Aryaduta Hotel Makassar located in Makassar—South Sulawesi, and Aryaduta Hotel Pekanbaru located in Pekanbaru—Riau.

The Hotel Operator also manages other properties in Pekanbaru, Carita, Banten, Jakarta, Puncak, and Makassar.

THE FORMATION AND STRUCTURE OF FIRST REAL ESTATE INVESTMENT TRUST

The Trust Deed is a complex document and the following is a summary only and is qualified in its entirety by, and is subject to, the contents of the Trust Deed. Investors should refer to the Trust Deed itself to confirm specific information or for a detailed understanding of First REIT. The Trust Deed is available for inspection at the registered office of the Manager at 78 Shenton Way, #22-01 Lippo Centre, Singapore 079120.

The Trust Deed

First REIT is a real estate investment trust constituted by the Trust Deed which was entered into on 19 October 2006 between the Trustee and the Manager, and is principally regulated by the SFA and the CIS Code (including the Property Funds Guidelines).

The terms and conditions of the Trust Deed shall be binding on each Unitholder (and persons claiming through such Unitholder) as if such Unitholder had been a party to the Trust Deed and as if the Trust Deed contains covenants by such Unitholder to observe and be bound by the provisions of the Trust Deed and an authorisation by each Unitholder to the Manager and/or the Trustee to do all such acts and things as the Trust Deed may require the Manager and/or the Trustee to do.

Operational Structure

First REIT is a Singapore-based real estate investment trust established to invest in real estate and real estate-related assets and the Manager must manage First REIT so that the principal investments of First REIT are real estate and real estate-related assets (including ownership of companies or other legal entities whose primary purpose is to hold or own real estate and real estate-related assets). First REIT's principal investment strategy envisages regional investments 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, regional healthcare and/or healthcare-related markets with high growth potential such as Indonesia, Singapore, China, Malaysia, Thailand and Hong Kong, whether wholly or partially, and whether directly or indirectly through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

First REIT aims to generate returns for its Unitholders by owning, buying and actively managing such properties in line with its investment strategy, including the divestment of any property that is identified by the Manager at any time, to have limited scope for growth.

Subject to the restrictions and requirements in the Property Funds Guidelines and the Listing Manual, the Manager is also authorised under the Trust Deed to invest in investments which need not be real estate. The Manager may use certain financial derivative instruments for hedging purposes or efficient portfolio management provided that such financial derivative instruments are not used to gear First REIT's overall investment portfolio or are intended to be borrowings of First REIT. The Manager presently does not have any intention to invest in options, warrants, commodities, futures contracts, unlisted securities and precious metals.

For further details of the investment objectives and policies of the Manager, see Clause 9 of the Trust Deed.

The Units and Unitholders

The rights and interests of Unitholders are contained in the Trust Deed. Under the Trust Deed, these rights and interests are safeguarded by the Trustee.

Each Unit represents an undivided interest in First REIT. A Unitholder has no equitable or proprietary interest in the underlying assets of First REIT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of First REIT. A Unitholder's right is limited to the right to require due administration of First REIT in accordance with the provisions of the Trust Deed, including, without limitation, by suit against the Trustee or the Manager.

Under the Trust Deed, each Unitholder acknowledges and agrees that it will not commence or pursue any action against the Trustee or the Manager seeking an order for specific performance or for injunctive relief in respect of the assets of First REIT (or any part thereof), including all its Authorised Investments (as defined in the Trust Deed), and waives any rights it may otherwise have to such relief. If the Trustee or the Manager breaches or threatens to breach its duties or obligations to the Unitholder under the Trust Deed, the Unitholder's recourse against the Trustee or the Manager is limited to a right to recover damages or compensation from the Trustee or the Manager in a court of competent jurisdiction, and the Unitholder acknowledges and agrees that damages or compensation is an adequate remedy for such breach or threatened breach.

Further, unless otherwise expressly provided in the Trust Deed, a Unitholder may not interfere or seek to interfere with the rights, powers, authority or discretion of the Manager or the Trustee, exercise any right in respect of the assets of First REIT or any part thereof or lodge any caveat or other notice affecting the real estate assets and real estate-related assets of First REIT (or any part thereof), or require that any Authorised Investments forming part of the assets of First REIT be transferred to such Unitholder.

No certificate shall be issued to Unitholders by either the Manager or the Trustee in respect of Units issued to Unitholders. For so long as First REIT is listed, quoted and traded on the SGX-ST and/or any other Recognised Stock Exchange and the Units have not been suspended from such listing, quotation and trading for more than 60 consecutive calendar days or de-listed permanently, the Manager shall pursuant to the depository services agreement dated 21 October 2006 entered into between CDP, the Manager and the Trustee (the "**Depository Services Agreement**") appoint CDP as the Unit depository for First REIT, and all Units issued will be represented by entries in the register of Unitholders kept by the Trustee or the agent appointed by the Trustee in the name of, and deposited with, CDP as the registered holder of such Units. The Manager or the agent appointed by the Manager shall issue to CDP not more than 10 Business Days after the issue of Units a confirmation note confirming the date of issue and the number of Units so issued and, if applicable, also stating that the Units are issued under the First Lock-Up Period and the Second Lock-Up Period and the expiry date of such lock-up and for the purposes of the Trust Deed, such confirmation note shall be deemed to be a certificate evidencing title to the Units issued.

There are no restrictions under the Trust Deed or Singapore law on a person's right to purchase (or subscribe for) Units and to own Units.

Issue of Units

The following is a summary of the provisions of the Trust Deed relating to the issue of Units in First REIT.

The Manager has the exclusive right to issue Units. Subject to the following sub-paragraphs (1), (2) and (3) below and to such laws, rules and regulations as may be applicable (including the provisions of the Listing Manual and the Trust Deed), for so long as First REIT is listed on the SGX-ST or any other Recognised Stock Exchange, the Manager may issue Units on any Business Day at an issue price equal to the "market price", without the prior approval of Unitholders in a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed. For this purpose, "market price" shall mean (i) the volume weighted average price for a Unit for all trades on the SGX-ST, or such other Recognised Stock Exchange on which First REIT is listed, in the ordinary course of trading on the SGX-ST or, as the case may be, such other Recognised Stock Exchange, for the period of 10 Business Days (or such other period as may be prescribed by the SGX-ST or relevant Recognised Stock Exchange) immediately preceding the relevant Business Day; or (ii) if the Manager believes that the calculation in paragraph (i) above does not provide a fair reflection of the market price of a Unit, an amount as determined by the Manager and the Trustee (after consultation with a stockbroker approved by the Trustee), as being the fair market price of a Unit.

(1) The Manager shall comply with the rules in the Listing Manual in determining the issue price per unit, including the issue price per Unit for a rights issue on a *pro rata* basis to all existing Unitholders, the issue price per Unit issued other than by way of a rights issue offered on a pro rata basis to all existing Unitholders and the issue price per Unit for any reinvestment or distribution arrangement.

(2) Where Units are issued as full or partial consideration for the acquisition of an Authorised Investment by First REIT in conjunction with an issue of Units to raise cash for the balance of the consideration for the said Authorised Investment (or part thereof) or to acquire other Authorised Investments in conjunction with the said Authorised Investment, the Manager shall have the discretion to determine that the issue price of a Unit so issued as partial consideration shall be the same as the issue price for the Units issued in conjunction with an issue of Units to raise cash for the aforesaid purposes.

(3) Following the new Rule 887 of the Listing Manual which came into effect on 1 September 2006, the Manager may issue new Units without the prior approval of Unitholders in a general meeting if the issue (together with any other issue of Units in the same financial year) would not exceed 10.0% of the Units in issue. The scope of the general mandate to be given in a general meeting of the Unitholders is limited to the issue of an aggregate number of additional Units which must not exceed 50.0% of the total number of Units in issue, of which the aggregate number of additional Units to be issued other than on a *pro rata* basis to the existing Unitholders must not exceed 20.0% of the total number of Units in issue. The first financial period of First REIT will commence on 19 October 2006, being the date of its constitution, and end on 31 December 2007.

By purchasing the Units under the Offering, investors are deemed to have given the Manager the above general mandate to issue new Units, such general mandate expiring on 31 December 2007.

If in connection with an issue of a Unit, any requisite payment of the issue price for such Unit has not been received by the Trustee before the seventh Business Day after the Unit was agreed to be issued (or such other date as the Manager and the Trustee may agree), the Manager may cancel its agreement to issue such Unit and upon notice being given to the Trustee, such Unit will be deemed never to have been issued or agreed to be issued. In such an event, the Manager may, at its discretion, charge the investor (and retain the same for its own account) (i) a cancellation fee of such amount as the Manager may from time to time determine to represent the administrative costs involved in processing the application for such Unit, and (ii) an amount (if any) by which the issue price of such Unit exceeds the repurchase price applying if such Unit was requested to have been repurchased or redeemed on the same day.

Suspension of Issue of Units

The Manager or the Trustee may, with the prior written approval of the other and subject to the Listing Manual, suspend the issue of Units during:

- any period when the SGX-ST or any other relevant Recognised Stock Exchange is closed (other than for public holidays) or during which dealings are restricted or suspended;
- the existence of any state of affairs which, in the opinion of the Manager or the Trustee (as the case may be), might seriously prejudice the interests of the Unitholders as a whole or the Deposited Property;
- any breakdown in the means of communication normally employed in determining the price of any assets of First REIT or the current price thereof on the SGX-ST or any other relevant Recognised Stock Exchange, or when for any reason the prices of any assets of First REIT cannot be promptly and accurately ascertained;
- any period when the remittance of money which will or may be involved in the realisation of any asset of First REIT or in the payment for such asset of First REIT cannot, in the opinion of the Manager, be carried out at normal rates of exchange;
- any period where the issuance of Units is suspended pursuant to any order or direction issued by the MAS;
- in relation to any general meeting of Unitholders, the period of 48 hours before such general meeting or any adjournment thereof; or
- any period when the business operations of the Manager or the Trustee in relation to First REIT are substantially interrupted or closed as a result of, or arising from, pestilence, acts of war, terrorism, insurrection, revolution, civil unrest, riots, strikes or acts of God.

Such suspension shall take effect forthwith upon the declaration in writing thereof by the Manager or the Trustee (as the case may be) and shall terminate on the day following the first Business Day on which the condition giving rise to the suspension ceases to exist and no other conditions under which suspension is authorised (as set out above) exists, upon the declaration in writing thereof by the Manager or the Trustee (as the case may be).

In the event of any suspension while First REIT is listed on the SGX-ST, the Manager shall ensure that immediate announcement of such suspension is made through the SGX-ST.

Redemption of Units

The Trust Deed provides that any redemption of Units will be carried out in accordance with the Property Funds Guidelines, the rules of the Listing Manual (if applicable) and all other applicable laws and regulations. With respect to any terms which are necessary to carry out such redemption but are not prescribed by the Property Funds Guidelines, the rules in the Listing Manual and any laws and regulations, these terms shall be determined by mutual agreement between the Manager and the Trustee.

However, for so long as the Units are listed on the SGX-ST, the Unitholders have no right to request the Manager to repurchase or redeem their Units while the Units are listed on the SGX-ST and/or any other Recognised Stock Exchange. It is intended that the Unitholders may only deal in their listed Units through trading on the SGX-ST.

Rights and Liabilities of Unitholders

The key rights of Unitholders include rights to:

- receive income and other distributions attributable to the Units held;
- receive audited accounts and the annual reports of First REIT; and
- participate in the termination of First REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of First REIT less any liabilities, in accordance with their proportionate interests in First REIT.

No Unitholder has a right to require that any asset of First REIT be transferred to him.

Further, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- First REIT ceasing to comply with applicable laws and regulations; or
- the exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the issue price of the Units held by a Unitholder has been fully paid, no such Unitholder, by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of First REIT in the event that the liabilities of First REIT exceed its assets.

Under the Trust Deed, every Unit carries the same voting rights.

Amendments of the Trust Deed

Subject to the third paragraph below, save where an amendment to the Trust Deed has been approved by an Extraordinary Resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed, no amendment may be made to the provisions of the Trust Deed unless the Trustee certifies, in its opinion, that such amendment:

- does not materially prejudice the interests of Unitholders and does not operate to release, to any material extent, the Trustee or the Manager from any responsibility to the Unitholders;
- is necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law); or
- is made to correct a manifest error.

No such amendment shall impose upon any Unitholder any obligation to make any further payments in respect of his Units or to accept any liability in respect thereof.

Notwithstanding any of the above, the Manager and the Trustee may, with the written approval of the competent authorities, alter certain provisions in Clause 9 of the Trust Deed relating to the use of derivatives.

Meeting of Unitholders

Under applicable law and the provisions of the Trust Deed, First REIT will not hold any meetings for Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10.0% of the total Units issued requests a meeting to be convened.

A meeting of Unitholders when convened may, by Extraordinary Resolution and in accordance with the provisions of the Trust Deed:

- sanction any modification, alteration or addition to the Trust Deed which shall be agreed by the Trustee and the Manager as provided in the Trust Deed;
- sanction a supplemental deed increasing the maximum permitted limit or any change in the structure of the Manager's management fees, acquisition fee and divestment fee and the Trustee's fee;
- remove the auditors; and
- direct the Trustee to take any action pursuant to Section 295 of the SFA.

A meeting of Unitholders may, also by an Ordinary Resolution of Unitholders present and voting at a meeting of Unitholders convened in accordance with the Trust Deed, vote to remove the Manager (with the Manager and its related parties being permitted to vote) or the Trustee.

Any decision to be made by resolution of Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the SFA, the CIS Code or the Listing Manual.

Except as otherwise provided for in the Trust Deed, at least 14 days' notice (not inclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Unitholders in the manner provided in the Trust Deed. The quorum at a meeting shall not be less than two Unitholders present in person or by proxy, holding or representing one-tenth in value of all of the Units for the time being in issue. Each notice shall specify the place, day and hour of the meeting, and the terms of the resolutions to be proposed, and each such notice may, in general, be given by advertisement in the daily press and in writing to each stock exchange on which First REIT is listed. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolutions in respect of such special business.

Voting at a meeting shall be by a show of hands unless a poll is demanded by the chairman of the meeting, or by five or more Unitholders present in person or by proxy, or holding or representing one tenth in value of all of the Units represented at the meeting. Unitholders do not have different voting rights on account of the number of votes held by a particular Unitholder. On a show of hands, every Unitholder has one vote. On a poll, every Unitholder has one vote for each Unit of which it is the Unitholder. The Trust Deed does not contain any limitation on non-Singapore resident or foreign Unitholders holding Units or exercising the voting rights with respect to their unitholdings.

Neither the Manager nor any of its Associates shall be entitled to vote or be counted as part of a quorum at a meeting convened to consider a matter in respect of which the Manager or any of its Associates has a material interest save for an Ordinary Resolution duly proposed to remove the Manager, in which case, no Unitholder shall be disenfranchised.

And for so long as the Manager is the manager of First REIT, the controlling shareholders (as defined in the Listing Manual) of the Manager and of any of its Associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or of any of its Associates have a material interest.

Substantial Holdings

Under Section 137B of the Securities and Futures Act, Substantial Unitholders will be required to notify the Trustee of their deemed and direct holdings and any subsequent change in the percentage level of such holdings (rounded down to the next whole number) or their ceasing to hold 5.0% or more of the total number of Units within two Business Days of acquiring such holdings or of such changes or such cessation.

Under Section 137A of the Securities and Futures Act, Substantial Unitholders must also, within the same time limit, submit such notifications to the SGX-ST.

Failure to comply with either Section 137A or Section 137B of the Securities and Futures Act constitutes an offence and will render a Substantial Unitholder liable to a fine on conviction.

Directors' Declaration of Unitholdings

Under the Trust Deed, the Directors are required to give notice to the Manager of their acquisition of Units or of changes to the number of Units which they hold or in which they have an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which they hold or in which they have an interest, as applicable. Upon such notification, the Manager will promptly announce such interests or changes to the SGX-ST.

A Director is deemed to have an interest in Units in the following circumstances:

- Where the Director is the beneficial owner of a Unit (whether directly through a direct Securities Account (as defined herein) or indirectly through a depository agent or otherwise), he is deemed to have an interest in that Unit.
- Where a body corporate is the beneficial owner of a Unit and the Director is entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in the body corporate, he is deemed to have interest in that Unit.
- Where the Director's spouse or infant child (including step-child and adopted child) has any interest in a Unit, he is deemed to have an interest in that Unit.
- Where the Director, his spouse or infant child (including step-child and adopted child):
    - has entered into a contract to purchase a Unit;
    - has a right to have a Unit transferred to any of them or to their order, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not;
    - has the right to acquire a Unit under an option, whether the right is exercisable presently or in the future and whether on the fulfilment of a condition or not; or
    - is entitled (otherwise than by reason of any of them having been appointed a proxy or representative to vote at a meeting of Unitholders) to exercise or control the exercise of a right attached to a Unit, not being a Unit which any of them holds,

  the Director is deemed to have an interest in that Unit.
- Where the property subject to a trust consists of or includes a Unit and the Director knows or has reasonable grounds for believing that he has an interest under the trust and the property subject to the trust consists of or includes such Unit, he is deemed to have an interest in that Unit.

The Trustee

The trustee of First REIT is HSBC Institutional Trust Services (Singapore) Limited. The Trustee is a company incorporated in Singapore and registered as a trust company under the Trust Companies Act 2005, Chapter 336 of Singapore. It is approved to act as a trustee for authorised collective investment schemes under the SFA. The Trustee has a paid-up capital of S$5,150,000 and has a place of business in Singapore at 21 Collyer Quay, #14-01 HSBC Building, Singapore 049320. The Trustee is independent of the Manager.

Powers, Duties and Obligations of the Trustee

The Trustee's powers, duties and obligations are set out in the Trust Deed. The powers and duties of the Trustee include:

- acting as trustee of First REIT and, in such capacity, safeguarding the rights and interests of the Unitholders, for example, by satisfying itself that transactions it enters into for and on behalf of First REIT with a related party of the Manager or First REIT are conducted on normal commercial terms, are not prejudicial to the interests of First REIT and the Unitholders, and in accordance with the rules of all applicable requirements under the Property Funds Guidelines and/or the Listing Manual or other relevant Recognised Stock Exchange(s) relating to the transaction in question;
- holding the assets of First REIT on trust for the benefit of the Unitholders in accordance with the Trust Deed; and
- exercising all of the powers of a trustee and the powers that are incidental to the ownership of the assets of First REIT.

The Trustee has covenanted in the Trust Deed that it will exercise all due diligence and vigilance in carrying out its functions and duties, and in safeguarding the rights and interests of Unitholders.

In the exercise of its powers, the Trustee may (on the recommendation of the Manager) and subject to the provisions of the Trust Deed, acquire or dispose of any real or personal property, borrow and encumber any asset.

The Trustee may, subject to the provisions of the Trust Deed, appoint and engage:

- a person or entity to exercise any of its powers or perform its obligations; and
- any real estate agents or managers, including a related party of the Manager, in relation to the management, development, leasing, purchase or sale of any of real estate assets and real estate-related assets.

Although the Trustee may borrow money and obtain other financial accommodation for the purposes of First REIT, both on a secured and unsecured basis, the Manager must not direct the Trustee to incur a liability if to do so would mean that total liabilities of First REIT exceed 35.0% (or such other limit as may be stipulated by the MAS) of the value of its Deposited Property in accordance with the provisions of the Property Funds Guidelines.

The Trustee must carry out its functions and duties and comply with all of the obligations imposed on it and set out in the Trust Deed, the Listing Manual, the SFA, the CIS Code (including the Property Funds Guidelines), any tax ruling and all other relevant laws. It must retain First REIT's assets, or cause First REIT's assets to be retained, in safe custody and cause First REIT's accounts to be audited. It can appoint valuers to value the real estate assets and real estate-related assets of First REIT.

The Trustee is not personally liable to a Unitholder in connection with the office of the Trustee except in respect of its own fraud, negligence, wilful default, breach of duty or breach of trust. Any liability incurred and any indemnity to be given by the Trustee shall be limited to the assets of First REIT over which the Trustee has recourse, provided that the Trustee has acted without fraud, negligence, wilful default, breach of trust or breach of the Trust Deed. The Trust Deed contains certain indemnities in favour of the Trustee under which it will be indemnified out of the assets of First REIT for liability arising in connection with certain acts or omissions. These indemnities are subject to any applicable laws.

Retirement and Replacement

The Trustee may retire or be replaced under the following circumstances:

- The Trustee shall not be entitled to retire voluntarily except upon the appointment of a new trustee (such appointment to be made in accordance with the provisions of the Trust Deed).

- The Trustee may be removed by notice in writing to the Trustee by the Manager:
  - if the Trustee goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Manager) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the Trustee;
  - if the Trustee ceases to carry on business;
  - if the Trustee fails or neglects after reasonable notice from the Manager to carry out or satisfy any material obligation imposed on the Trustee by the Trust Deed;
  - if an Ordinary Resolution is passed at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed, and of which not less than 21 days' notice has been given to the Trustee and the Manager, shall so decide; or
  - if the MAS directs that the Trustee be removed.

Trustee's Fee

Under the Trust Deed, the Trustee's fee is subject to a maximum of 0.1% per annum of the value of the Deposited Property, excluding out-of-pocket expenses and GST.

The Trustee's fee is presently 0.03% per annum of the value of the Deposited Property, subject to a minimum sum per month. Such minimum sum does not exceed S$10,000 per month during the first three years after Listing Date and is fixed at S$10,000 per month thereafter. The Trustee's fee (including the minimum amount of such fee) will be subject to review three years after Listing Date.

First REIT will also pay the Trustee a one-time inception fee of S$25,000.

Any increase in the maximum permitted amount or any change in the structure of the Trustee's fee must be passed by an Extraordinary Resolution at a Unitholders' meeting duly convened and held in accordance with the provisions of the Trust Deed.

Termination of First REIT

Under the provisions of the Trust Deed, the duration of First REIT shall end on:

- such date as may be provided under written law;
- the date on which First REIT is terminated by the Manager in such circumstances as set out under the provisions of the Trust Deed as described below; and
- the date on which First REIT is terminated by the Trustee in such circumstances as set out under the provisions of the Trust Deed as described below.

The Manager may in its absolute discretion terminate First REIT by giving notice in writing to all Unitholders and the Trustee not less than three months in advance and to the MAS not less than seven days before the termination in any of the following circumstances:

- if any law shall be passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue First REIT;
- if the NAV of the Deposited Property shall be less than S$50,000,000 at any time after the end of the first anniversary of the date of the Trust Deed; and
- if at any time First REIT becomes unlisted after it has been listed.

Subject to the SFA and any other applicable law or regulation, First REIT may be terminated by the Trustee by notice in writing in any of the following circumstances, namely:

- if the Manager shall go into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee) or if a receiver is appointed over any of its assets or if a judicial manager is appointed in respect of the

Manager or if any encumbrance shall take possession of any of its assets or if it shall cease business and the Trustee fails to appoint a successor manager in accordance with the provisions of the Trust Deed;

- if any law shall be passed which renders it illegal or, in the opinion of the Trustee, impracticable or inadvisable to continue First REIT; or
- if within the period of three months from the date of the Trustee expressing in writing to the Manager the desire to retire, the Manager shall have failed to appoint a new trustee in accordance with the provisions of the Trust Deed.

The decision of the Trustee in any of the events specified above shall be final and binding upon all of the parties concerned but the Trustee shall be under no liability on account of any failure to terminate First REIT pursuant to the paragraph above or otherwise. The Manager shall accept the decision of the Trustee and relieve the Trustee of any liability to it therefor and hold it harmless from any claims whatsoever on its part for damages or for any other relief.

Generally, upon the termination of First REIT, the Trustee shall, subject to any authorisations or directions given to it by the Manager or the Unitholders pursuant to the Trust Deed, sell the Deposited Property and repay any borrowings incurred on behalf of First REIT in accordance with the Trust Deed (together with any interest accrued but remaining unpaid) as well as all other debts and liabilities in respect of First REIT before distributing the balance of the Deposited Property to the Unitholders in accordance with their proportionate interests in First REIT.

CERTAIN AGREEMENTS RELATING TO FIRST REAL ESTATE INVESTMENT TRUST AND THE PROPERTIES

The agreements discussed in this section are complex documents and the following is a summary only. Investors should refer to the agreements themselves to confirm specific information or for a detailed understanding of First REIT. The agreements are available for inspection at the registered office of the Manager at 78 Shenton Way, #22-01 Lippo Centre, Singapore 079120 for a period of six months from the date of this Prospectus.

Description of the Singapore SPC Share Purchase Agreements

The Singapore SPC Share Purchase Agreements set out the terms and conditions of the acquisition of the Properties by First REIT, *via* the four Singapore SPCs and the four Indonesian SPCs, from the Sponsor.

Ownership Structure prior to Listing Date

The Vendor, a company incorporated in the Seychelles and a wholly-owned subsidiary of the Sponsor, owns the four Singapore SPCs.

The four Singapore SPCs in turn own the four Indonesian SPCs as at 12 June 2006, pursuant to the completion of the Indonesian SPC Share Purchase Agreements for the sale of ordinary shares in the Indonesian SPCs to the Singapore SPCs.

The four Indonesian SPCs have entered into the four Property Purchase Agreements with the Sponsor for the conditional acquisition of the Properties from the Sponsor. The completion of the acquisition of the Properties will take place on Listing Date (see "—Summary of Ownership Structure").

Injection of the Properties into First REIT

On 23 October 2006, the Trustee, as trustee for First REIT, entered into four Singapore SPC Share Purchase Agreements with the Vendor pursuant to which the Trustee has conditionally agreed to acquire all of the ordinary shares and redeemable preference shares in the four Singapore SPCs at completion from the Vendor. The completion of the acquisition of all of the ordinary shares and redeemable preference shares in the Singapore SPCs will take place on Listing Date (see "—Summary of Ownership Structure").

On 23 October 2006, the Sponsor entered into four Deeds of Indemnity with the Trustee pursuant to which the Sponsor will, subject to certain conditions, indemnify the Trustee against liabilities or damage suffered by the Trustee arising from the four Singapore SPC Share Purchase Agreements.

Principal Terms of the Singapore SPC Share Purchase Agreements

Pursuant to each Singapore SPC Share Purchase Agreement, the Trustee will, on Listing Date, acquire all of the ordinary shares and redeemable preference shares at completion in the relevant Singapore SPC from the Vendor at an aggregate completion amount of S$182.9 million (based on the Offering Price and estimated issue costs of the Offering, the Cornerstone Units and the Consideration Units (assuming that the Over-allotment Option is not exercised) of S$9.8 million). This amount represents the difference between (i) the total proceeds from the Offering and the issuance of the Cornerstone Units, and the value of the Consideration Units based on the Offering Price, and (ii) the issue costs of the Offering, and issue costs of the Cornerstone Units and the Consideration Units (assuming that the Over-allotment Option is not exercised) (the "**Completion Amount**"). In essence, the Completion Amount is the purchase consideration payable by First REIT to the Sponsor for the Properties.

Each Singapore SPC Share Purchase Agreement provides that completion will be subject to the satisfaction of a number of conditions including:

(a) the occurrence of the listing, and the commencement of trading, of the Units on the SGX-ST;

(b) the completion of the sale and purchase of each of the four Properties in accordance with the terms and conditions of the relevant Property Purchase Agreement;

(c) the concurrent completion of the sale and purchase of all of the ordinary shares and redeemable preference shares of each of the other three Singapore SPCs in accordance with the terms and conditions of the relevant Singapore SPC Share Purchase Agreements;

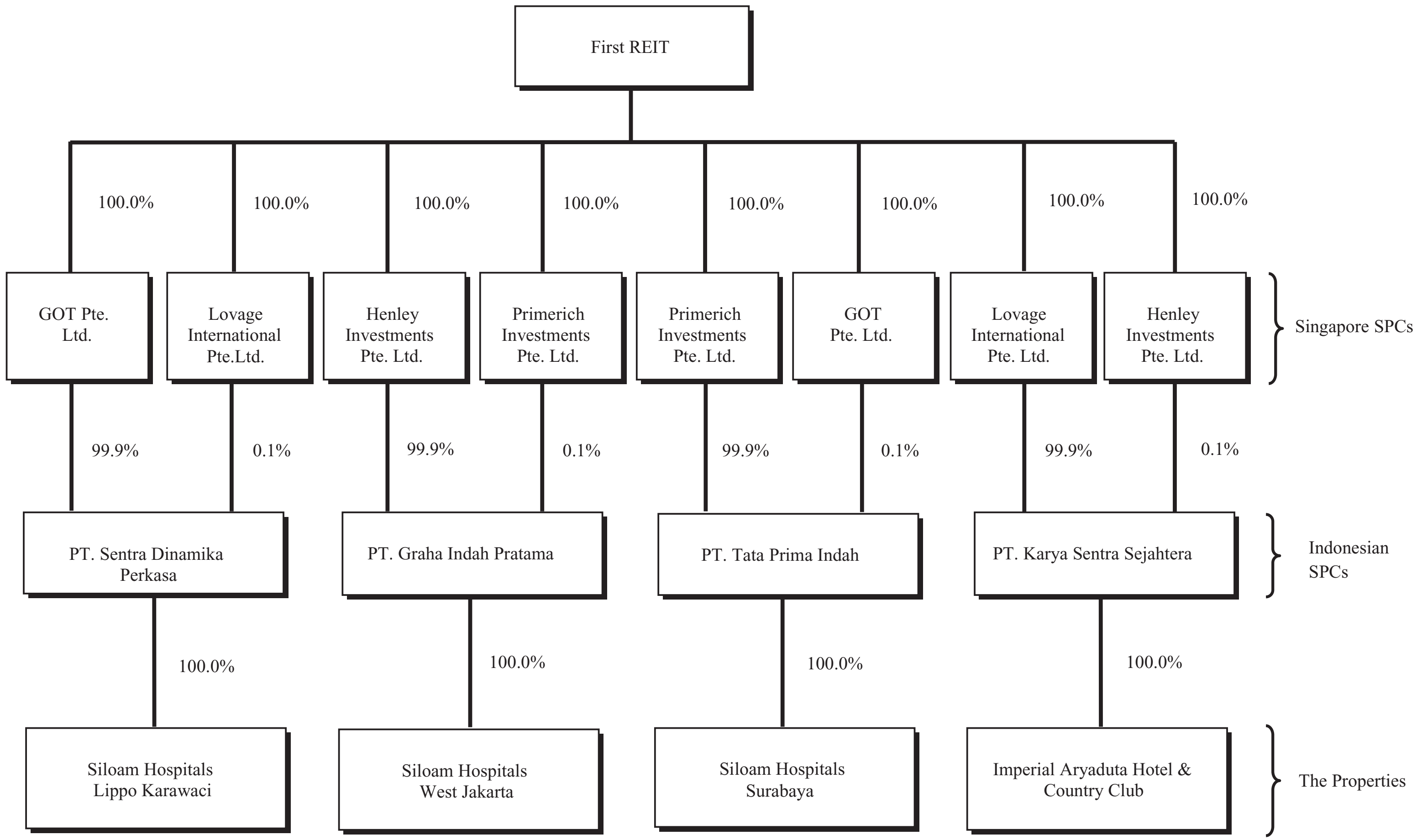
(d) the entry into the Master Lease Agreements; and

(e) there being no damage to the relevant Property and no breach of warranties which in the reasonable opinion of the Trustee, acting on the recommendation of the Manager, will have a material adverse effect on the financial condition, prospects, earnings, business, undertaking or assets of the Property, the relevant Singapore SPC or the relevant Indonesian SPC, in each case, taken as a whole.

In the event the listing and trading of the Units on the SGX-ST does not occur on Listing Date or such other date as agreed by the Trustee and the Vendor, each of the Trustee and the Vendor is entitled to rescind the Singapore SPC Share Purchase Agreements for the sale and purchase of all of the ordinary shares and redeemable preference shares in the Singapore SPCs with, *inter alia*, full repayment by the Vendor to the Trustee of the Completion Amount under each of the respective Singapore SPC Share Purchase Agreements.

Each Singapore SPC Share Purchase Agreement contains certain representations and warranties made by the Vendor, subject to certain limitations on its liability, in respect of the relevant Singapore SPC shares, Singapore SPC, Indonesian SPC and Property. For instance, the Vendor warrants that, to the best of its knowledge, the buildings and other structures on each Property together with the plant and equipment, are in good and substantial repair, and are fit for the purposes for which they will be used as at Listing Date. The Sponsor also warrants that, to the best of its knowledge, nothing has been done or omitted to be done which is a contravention of any applicable laws, regulations, orders or official directions.

Summary of Ownership Structure



Description of the Master Lease Agreements

The Properties are each leased by the respective Indonesian SPCs holding the Properties to the Master Lessee pursuant to Master Lease Agreements.

Under each Master Lease Agreement, the landlord leases to the Master Lessee the relevant Property together with the mechanical and electrical equipment.

Terms Relating to Rent

The term of each Master Lease Agreement is for 15 years with an option for the Master Lessee to obtain an additional lease for a further term of 15 years on the same terms and conditions save for the rent for the further term and excluding any further option to renew. The rent for the further term shall be at the then prevailing market rent, as may be agreed by the relevant landlord and the Master Lessee. If there is no agreement by the relevant landlord and the Master Lessee on such prevailing market rent, the rent for the further term will be based on the rent applicable to the 15th year of the term adjusted upwards taking into account the aggregated percentage increase of the CPI of Singapore for the 12 months comprised in the 15th year of the term.

The Master Lessee is required to pay rent on a quarterly basis in advance, which rent shall comprise:

(a) an annual base rent of:

- S$11.7 million(1) per year in respect of Siloam Hospitals Lippo Karawaci;
- S$6.6 million(1) per year in respect of Siloam Hospitals West Jakarta;
- S$2.6 million(1) per year in respect of Siloam Hospitals Surabaya; and
- S$3.2 million(1) per year in respect of Imperial Aryaduta Hotel & Country Club;

for the first year of each lease.

The base rent is subject to increase every year thereafter at a rate equal to two times the percentage increase of the CPI of Singapore for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%; and

(b) a variable rent which is calculated based on a percentage of the growth of the Master Lessee Gross Revenue in the preceding calendar year. No variable rent is payable in the first year of the lease.

The variable rent is computed as follows:

(i) where the Master Lessee Gross Revenue for the preceding calendar year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by more than 5.0% but less than 15.0%, the variable rent shall be the amount which is 0.75% of the Master Lessee Gross Revenue of the preceding calendar year;

(ii) where the Master Lessee Gross Revenue for the preceding calendar year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by 15.0% or more but less than 30.0%, the variable rent shall be the amount which is 1.25% of the Master Lessee Gross Revenue of the preceding calendar year; and

(iii) where the Master Lessee Gross Revenue for the preceding calendar year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by 30.0% or more, the variable rent shall be the amount which is 2.0% of the Master Lessee Gross Revenue of the preceding calendar year.

For the avoidance of doubt, where the Master Lessee Gross Revenue for the preceding calendar year does not exceed the Master Lessee Gross Revenue of the Further Preceding Calendar Year by more than 5.0%, no variable rent is payable.

Note:

(1) This figure was converted from Indonesian Rupiah at a predetermined exchange rate of S$1.00 = Rp. 5,623.50.

The Master Lessee shall deliver to the relevant landlord a statement from its auditors confirming the Master Lessee Gross Revenue in respect of the preceding calendar year and the Master Lessee Gross Revenue in respect of the Further Preceding Calendar Year within 30 days prior to each Rent Revision Date (as defined herein).

The rent will be paid in Singapore Dollars at a predetermined rate of S$1.00 to Rp. 5,623.50. This formula shall be fixed for the entire duration of the lease term.

Rationale for Structure of Rent

Under the Master Lease Agreement, the Master Lessee is required to pay rent comprising base rent and variable rent for the entire lease term.

Base Rent

The base rent under each Master Lease Agreement was assessed based on the analysis of the Rent/EBITDA ratio generated from the operations of comparable properties or case studies. This ratio is a metric that indicates whether the operator of a property generates sufficient earnings to cover the rental payments that are to be paid. In the absence of comparable data in Indonesia, international case studies of private hospital and hotel sales in Australia and healthcare and hospitality REITs in the U.S. have been used for comparison. Based on the analysis, the Rent/EBITDA ratio for the Properties was approximately 99.0% for FY2005 compared with those of between 50.0% and 60.0% in Australia and between 47.6% and 52.7% in the U.S. However, Knight Frank has observed that the cumulative average yearly Rent/EBITDA ratio will continue to decline over the next five years from FY2006 to between 53.0% and 60.0% as the projected EBITDA grows over the years where the operator's rental burden is expected to decline in the long term. This trend is in line with that of Australian and U.S. case studies where longer established REITs have lower cumulative ratios. However, in the longer term, the Rent/EBITDA ratios is expected to stabilise as the hospitals reaches a maximum number of operational beds and achieves a certain level of operating efficiency (see Appendix I—"Independent Property Valuation Summary Reports"). Taking into account the above trend, together with the tenure of the Master Lease Agreements, the Manager believes that the rental payments for the Properties are sustainable.

The base rent also includes a step-up mechanism, with a floor of 0.0% and a cap of 2.0%. The rationale of the step-up mechanism is to enable First REIT to benefit from the growth inherent in the underlying assets and at the same time protect Unitholders from any downside. The step-up is based on percentage increases in CPI which is commonly used by healthcare REITs in the U.S. In the Master Lease Agreements, the CPI of Singapore is used instead of the CPI of Indonesia as the rent is denominated in Singapore Dollars and the Manager believes that the historical performances of the CPI of Singapore for a 15-year period between 1991 to 2005 is relatively stable in comparison to Indonesia CPI. The average Singapore CPI was approximately 1.4% over the 15-year period between 1991 and 2005.

Based on the above, the Manager considers the terms relating to base rent and base rent step-up in the Master Lease Agreements to be reasonable and comparable against those in the lease agreements adopted by healthcare REITs in the U.S. and private hospitals and hotels in Australia. This is supported by two other methods used by Knight Frank, namely (1) benchmarking of average annualised yield of First REIT against those of various healthcare REITs and (2) comparison against committed rental rate level against the rental rates of other more common commercial property types in Indonesia. (See Appendix I—"Independent Property Valuation Summary Reports").

Variable Rent

The variable rent mechanism is formulated to enable First REIT to benefit from the growth of the Indonesian healthcare sector. Accordingly, the Sponsor believes that the variable rent percentages of 0.75% to 2.0% of the gross revenue of each Property is reasonable as it allows the Unitholders to participate in the growing Indonesian healthcare sector while providing a downside protection mechanism.

Other Material Terms

The Master Lessee will provide a security deposit of six months' rent, in the form of a bank guarantee, under the Master Lease Agreements as security for the compliance of the Master Lessee of the terms of the Master Lease Agreements as well as against any loss or damage resulting from the Master Lessee's default and against any claim by the relevant landlord against the Master Lessee.

The Master Lessee shall be responsible for the land and building tax (including all increases thereof) and all outgoings and expenses to be incurred in respect of the Properties. Such expenses would include expenses for property repairs, maintenance and management, all operating expenses and utilities, fire tests as required by the relevant fire safety authority, landscaping, security services, and maintenance of common areas and lifts.

Each relevant landlord shall, after the first two years of the lease term, be responsible for any repair and replacement works in relation to the structural parts of the Properties and the mechanical and electrical equipment which are of a capital nature. Any repair and replacement works which are of an expense nature (as defined in the SFRS, as may be amended from time to time) shall be borne by the Master Lessee. During the first two years of the lease term, the Master Lessee shall be responsible for all repair and replacement works, whether or not of a capital nature and irrespective of the cost of such works.

The Master Lessee is not permitted to assign any of the Master Lease Agreements except where such assignment is in respect of its wholly-owned subsidiary and the performance of the assignee's obligations under the relevant Master Lease Agreement is guaranteed by the Master Lessee.

The Master Lessee may sub-let any part of the Properties to only sub-lessees of good repute and sound financial standing.

All necessary regulatory approvals required by the law for the operation of its business or the business of any permitted occupier in the Properties must be obtained by the Master Lessee at its cost.

The Master Lessee must at its own cost take out and maintain, *inter alia*, all risks and public liability insurance policies covering the Properties and the mechanical and electrical equipment.

If any of the Properties is damaged or destroyed, the relevant landlord has the option to reinstate or replace such Property (or the affected part, as the case may be) using insurance proceeds received under the insurance policies. If the relevant landlord opts to reinstate or replace the Property, the rent payable by the Master Lessee will be abated in respect of the period when the Property cannot be used or is inaccessible. If the relevant landlord opts not to reinstate or replace the Property, the Master Lessee may either terminate the relevant Master Lease Agreement or opt to reinstate or replace the Property using insurance proceeds received under the insurance policies. If the Property is only partly usable as a result of the damage, the Master Lessee's liability for the rent will be reduced in proportion to the reduction in the usability caused by the damage with effect from the date of the damage or destruction.

If any change in or amendment to the relevant laws or treaties increases the taxes payable by the relevant landlord, the increased tax shall be borne by the Master Lessee provided that if the taxes are increased to a material extent, the increased tax, to the extent of such increase, shall be borne equally by the relevant landlord and the Master Lessee. The taxes payable by the relevant landlord will be deemed to be increased to a material extent if the taxes payable after such increase takes effect will exceed the taxes payable before such increase by at least 50.0%. The relevant landlord and the Master Lessee shall in good faith endeavour to take or implement such steps or measures with the intention of reducing the amount of taxes payable by the relevant landlord.

Description of the Right of First Refusal

Each of the Master Lease Agreements contain a Right of First Refusal that for the period commencing from Listing Date and for so long as Bowsprit Capital Corporation Limited remains the manager of First REIT, and the Sponsor and/or any of its related corporations remains a controlling shareholder of the Manager:

(i) if the relevant landlord wishes to sell any of the Properties, the relevant landlord shall first make an offer to sell such Property to the Master Lessee; and

(ii) if the Master Lessee and/or any one or more of its subsidiaries wishes to sell any of the healthcare and/or healthcare-related hospitality properties owned by the Master Lessee and/or that relevant subsidiary, the Master Lessee shall first make an offer to sell the relevant properties to the relevant landlord.

The Right of First Refusal in each of the Master Lease Agreements will be applicable notwithstanding the expiry or termination of the Master Lease Agreement for so long as the relevant landlord is held by First REIT.

The Right of First Refusal shall be subject to the applicable laws, regulations and governmental policies (including those in other countries relating to property ownership by foreign persons) as well as overriding contractual obligations of the Master Lessee or (as the case may be) the relevant subsidiary. In relation to any property which is subject to the Right of First Refusal, if the consent of another party (including, in the event that the relevant subsidiary is jointly owned, another shareholder of the relevant subsidiary and, in the event that such property is jointly owned, another joint owner of the property) is required for the purpose of the sale of such property, the Right of First Refusal shall be subject to such consent being obtained, and the Master Lessee or (as the case may be) the relevant subsidiary shall use reasonable endeavours in procuring such consent.

On Listing Date, there will only be one property owned by the Master Lessee which is subject to the Right of First Refusal, being Siloam Hospitals Lippo Cikarang (see "The Sponsor"). The Master Lessee owns 50.0% of Siloam Hospitals Lippo Cikarang and the remaining 50.0% is owned by PT Nusa Medika Perkasa, which is in turn 21.9% owned by PT Lippo Cikarang Tbk. The Master Lessee owns 51.3% of PT Lippo Cikarang Tbk. Before this hospital may be sold pursuant to this Right of First Refusal, the consent of PT Nusa Medika Perkasa is required.

The offer to be made by the Master Lessee to the relevant landlord under the Master Lease Agreement shall be made in the form of a written notice enclosing a purchase agreement containing the sale price and the terms and conditions of the proposed sale of the relevant property. During the period of seven days commencing on the day following the date of receipt of the written notice by the relevant landlord, the landlord shall confirm its interest in considering the purchase of such property (the "**ROFR Confirmation Period**") and during the period of 30 days commencing on the day following the date of receipt of the written notice by the relevant landlord (the "**ROFR Exercise Period**"), the landlord shall be entitled to exercise the Right of First Refusal by signing and returning to the Master Lessee or (as the case may be) the relevant subsidiary, the purchase agreement.

If the relevant landlord does not confirm its interest to purchase such property within the ROFR Confirmation Period or sign and return to the Master Lessee the purchase agreement within the ROFR Exercise Period:

(a) the Right of First Refusal shall be deemed to have lapsed at the expiry of the ROFR Confirmation Period or ROFR Exercise Period (as the case may be); and

(b) the Master Lessee or (as the case may be) the relevant subsidiary shall thereafter be entitled to enter into an agreement with any other party for the sale of the relevant property:

(i) at a price not less than the proposed sale price in the purchase agreement; and

(ii) on terms which are not more favourable than the proposed sale and purchase conditions in the purchase agreement.

Description of the Non-Competition Clause

In addition to the Right of First Refusal, the Master Lease Agreements also provide that for the period commencing from Listing Date and for as long as Bowsprit Capital Corporation Limited remains the manager of First REIT, and the Sponsor and/or any of its related corporations remains a controlling shareholder of the Manager, the Master Lessee shall, prior to the Master Lessee and/or any one of its subsidiaries entering into any contract to acquire a healthcare and/or healthcare-related hospitality property located in Jakarta, Surabaya and Tangerang(1), give a written notice to the relevant landlord of such intention to acquire such property. If the relevant landlord informs the Master Lessee that it does not wish to acquire such property or does not give written confirmation to the Master Lessee within seven days from the date of the relevant landlord's receipt of the Master Lessee's said notice, the Master Lessee and/or any of its subsidiary may proceed to acquire such property without further reference to the relevant landlord. If the relevant landlord gives written confirmation to the Master Lessee that the relevant landlord wishes to acquire such property within seven days of the Master Lessee's said notice, the relevant landlord and the Master Lessee shall in good faith and using reasonable efforts negotiate on the acquisition of such property on a joint basis.

The non-competition clause described above will be applicable notwithstanding the expiry or termination of the Master Lease Agreement for so long as the relevant landlord is held by First REIT.

Note:

(1) As the Properties are located in these three cities, the inclusion of these three cities in the Right of First Refusal is sufficient to mitigate any potential conflict of interest that could arise from the Master Lessee being in competition with First REIT by acquiring a healthcare and/or healthcare-related hospitality property located near any of the Properties, taking into consideration the geographical size of Indonesia.

OVERVIEW OF RELEVANT LAWS AND REGULATIONS IN INDONESIA

Regulation of the Indonesian Property Development Industry

The ownership, acquisition, development and use of land in Indonesia is subject to regulation by the Government of Indonesia and regional and local authorities of Indonesia.

Land Ownership and Acquisition Regulation

Ownership of land in Indonesia is principally regulated under the Basic Agrarian Law (Law No. 5 of 1960) (the "**Basic Agrarian Law**"). The Basic Agrarian Law and its implementing regulations (including Government Regulation No. 24 of 1997 (the "**GR on Land Regulation**")) provide various forms of land title and a registration system to protect legal ownership (though not all land interests in Indonesia are subject to registration). 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 religious and social organizations and government bodies in Indonesia, as regulated in Government Regulation No. 38 of 1963. A *Hak Milik* title is not available to companies (whether Indonesian or foreign owned) or foreign individuals.

Both Indonesian companies and foreign companies incorporated in Indonesia may acquire HGB titles. A holder of HGB title to a parcel of land has the right to erect, occupy and use buildings on such parcel of land and sell all or part of such parcel. A HGB title is granted for a maximum initial term of 30 years. By application to the relevant local land office upon the expiration of this initial term, a HGB title may be extended for an additional term not exceeding 20 years. Following expiration of this additional term, a renewal application may be made. The application should be made no later than two years prior to the expiration of the additional term. The land office has discretion to grant the various extensions.

The Basic Agrarian Law recognises a form of right to occupy or reside on a parcel of land and payment of taxes and retributions with respect to utilisation of that parcel of land, which is evidenced by a letter commonly referred to as a *Girik* or another name depending on the region. *Girik* is actually an evidence of tax payment granted to the person who occupies and uses the parcel of land. An Indonesian individual who holds the *Girik* may apply for the conversion of the right on the parcel of land to *Hak Milik*, followed by the issuance of a Certificate of *Hak Milik*.

In order to acquire a parcel of land, a company must obtain a licence which grants it the exclusive right to buy, clear and develop the particular parcel of land. The procedures for obtaining licences vary from region to region. Licences are normally of one to three years' duration, extendable upon approval from the relevant authorities. After obtaining a licence with respect to a particular parcel of land, a holder must still negotiate with the individual landowners whose land is covered by the licence. Such landowners are permitted to sell their land only to the holder of the licence. A company is under no obligation to purchase the land covered by its licence. Under the GR on Land Regulation, in order for a company to acquire HGB title to land being purchased from a holder of a *Girik* title, the company must make an application to the relevant land office together with a renouncement of right by the holder of a *Girik* title. The company may then sell the land as developed or serviced plots.

Strata Titles

Indonesian law regulates multi-storey offices, residential or retail buildings, as stipulated in Law No. 16 of 1985 and Government Regulation No. 4 of 1988. Multi-storey offices, residential or retail buildings may only be constructed on plots of land with a right of ownership (*Hak Milik*), right to build (HGB) or right to use of state-owned land (*Hak Pakai Atas Tanah Negara*). For a plot of land with a right to manage, such right must be converted to a right to build for the construction of multi-storey offices, residential or retail buildings on it.

A multi-storey building developer must divide the building into common property and common areas in the form of a sketch plan, which must be approved by the relevant authority. Such sketch plan must also provide explanation on (i) unit separation that can be used by individual, (ii) the limitation and separation of the strata title right over common areas and common properties, and (iii) the strata title right over the common land.

The right of strata title ownership may be owned by an individual, a corporation established under Indonesian Law and domiciled in Indonesia or foreigners based on title of the land where a multi-storey building is built. For strata title ownership, a certificate for the right of strata title ownership is issued. Multi-storey buildings including the land below it and the right of strata title ownership may be put as encumbrance with (a) *Hak Tanggungan*, if the title of the land is a right of ownership, a right to build and a right of use of state-owned land, or (b) fiduciary security, if the title of the land is other than mentioned previously. A multi-storey building may only be sold after the regional government grants the proper licence (*Ijin Kelayakan*).

Indonesian law permits the transfer of strata title for multi-storey offices, residential or retail buildings (commonly known as the Right of Strata Title Ownership). Under present regulations, a developer can only transfer or sell units or offices in such a building after the *Hak Milik/HGB/Hak Pakai Atas Tanah Negara* title of the land where the building is constructed has been issued. Once this has been issued, the developer may apply for separation of the common areas, common properties and land in the form of sketch plans. The application must also include detailed boundaries of each unit or office in the form of sketch plans. A certificate of ownership rights in a unit or office is issued to each purchaser upon application. The ownership rights in a unit or office also include rights over the common areas, common property and common land, which together constitute an inseparable part of the unit or office concerned.

Regulation on the Development and Use of Land

Before a parcel of land can be used for certain purposes, such as housing and its related facilities or shopping complex or hospital, an environmental impact analysis must be carried out for the proposed project. Thereafter, such person, or the contractor who is responsible for the construction as instructed and authorised by the landowner, shall obtain a *Izin Mendirikan Bangunan* ("**IMB**") from the local regional government.

After that, the person may commence the construction or development of the land including the clearance and preparation for the construction of infrastructure including drainage system, roads, landscaping, street lighting, electricity and telephone cables. As the constructions may be conducted in various phases, an IMB must be obtained for each phase to construct of building(s) on top of the land, which is already outfitted with the infrastructure as referred above.

The development of a housing complex must also comply with the requirement of procurement for public and social facilities which shall be provided for the public benefit such as schools, sport facilities, places of worship (*e.g.* mosques, churches), markets, parks, playgrounds and others.

Healthcare Regulatory Framework

Medical services in Indonesia, especially hospitals, are subject to regulation issued by the Government of Indonesia. Hospital regulation in Indonesia is principally regulated by the Minister of Health Regulation No.159b / MENKES / PER / II / 1988 regarding Hospitals ("**MoH Regulation No.159b**"). Pursuant to MoH Regulation No.159b, it is stated that hospital has functions as follows:

a. To provide and carry out:

   i. medical services;

   ii. medical support services;

   iii. treatment services;

   iv. rehabilitation services; and

   v. prevention and health improvement.

b. as a facility for education and or training for medical staff and paramedics;

c. as a facility for health sciences and technology research and development.

MoH Regulation No.159b also imposes certain requirements on hospitals in Indonesia:

- every hospital must have an operational licence from the Indonesian Ministry of Health before conducting its business;
- the director of a hospital must be a medical doctor;
- doctors and nurses in the hospital must be registered, including the respective licences of each member;
- a hospital is required to have emergency services;
- 75.0% of a public hospital's bed capacity is reserved for third-class category; and
- 25.0% of a private hospital's bed capacity is reserved for third-class category.

Environmental Compliance for Hospital

A hospital in Indonesia shall comply with the Ministry of Environmental decree No.17 of 2001. In relation to the fulfillment of environmental obligations, a hospital is obliged to control its waste treatment facility including body parts and radioisotopes and also submit to the Ministry reports concerning Environmental Management and Environmental Control.

Foreign Medical Staff

Pursuant to Government Regulation No. 32 of 1996 regarding medical staff, any foreign medical staff (including doctor and paramedic) is permitted to conduct medical effort subject to obtaining of a licence issued by the Minister of Health in Indonesia.

Hospital Code of Conduct on Advertising and Promotions

Self-financed hospitals are permitted to conduct promotions and advertisements in order to attract more patients. Such an advertisement shall be in accordance with the code of ethics issued by the Indonesian Hospitals Association. The code of ethics stipulates, among others, that the advertisement conducted by a hospital shall not contain matters as follows:

a. a statement to the effect that the advertising hospital is the best;

b. a statement that has the effect of damaging other hospitals' reputations;

c. patients' testimonials;

d. the achievements and reputation of the doctors in the advertising hospital;

e. a statement giving the impression that it is recommended by any health organization; and

f. other matters which are generally prohibited by in Indonesian advertising laws.

TAXATION

Singapore Tax Implications

The following summary of certain Singapore income tax consequences of the purchase, ownership and disposition of the Units is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units and does not purport to apply to all categories of investors, some of which may be subject to special rules. Investors should consult their own tax advisers concerning the application of Singapore income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Units arising under the laws of any other taxing jurisdiction.

Taxation of First REIT

Dividends from Singapore SPCs

First REIT's income will comprise substantially dividends received from its holding of ordinary shares in the Singapore SPCs. Provided that the Singapore SPCs are tax residents of Singapore for income tax purposes, these dividends will be one-tier (tax exempt) dividends and hence exempt from tax in the hands of the Trustee.

Gains on disposal of shares

Singapore does not impose tax on capital gains. In the event that First REIT disposes of its ordinary shares and/or redeemable preference shares in the Singapore SPCs, gains arising from the disposal will not be liable to Singapore income tax unless the gains are considered income of a trade or business. The gains may also be liable to tax if the ordinary shares and/or redeemable preference shares in the Singapore SPCs were acquired with the intent or purpose of making a profit from their subsequent disposal and not for long-term investment purposes.

Gains arising from the sale of the ordinary shares and/or redeemable preference shares in the Singapore SPCs, if considered to be trading gains, will be taxable on the Trustee.

Redemption of redeemable preference shares in Singapore SPCs

Where the circumstances require, the Singapore SPCs may redeem their redeemable preference shares on a periodic basis. The amounts received by First REIT from the redemption of redeemable preference shares in the Singapore SPCs are not taxable on the Trustee.

Taxation of Singapore SPCs

Dividends and interest from Indonesian SPCs

Provided that the Singapore SPCs are tax residents of Singapore for income tax purposes, the dividends received in Singapore from the Indonesian SPCs will be exempt from Singapore income tax under Section 13(8) of the Income Tax Act, if the following conditions are met:

- in the year the dividends are received in Singapore, the headline corporate tax rate in Indonesia is at least 15.0%;
- the dividends have been subject to tax in Indonesia; and
- the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore SPCs.

Based on the current tax laws in Indonesia, dividends paid by the Indonesian SPCs out of their income from the letting of the Properties will meet the aforesaid conditions (see "—Indonesian Tax Implications").

First REIT has obtained approval from the Singapore Ministry of Finance for the interest received by the Singapore SPCs on the shareholders' loans extended to the Indonesian SPCs to be exempt from Singapore income tax under Section 13(12) of the Income Tax Act. This is on the condition that the full amount of the remitted interest, less attributable expenses, must be distributed to First REIT for onward distribution to its Unitholders.

Gains on disposal of shares

Singapore does not impose tax on capital gains. In the event that the Singapore SPCs dispose of their ordinary shares in the Indonesian SPCs, gains arising from the disposal will not be liable to Singapore income tax unless the gains are considered income of a trade or business. The gains may also be liable to tax if the ordinary shares in the Indonesian SPCs were acquired with the intent or purpose of making a profit from their subsequent disposal and not for long-term investment purposes.

Gains arising from the sale of ordinary shares in the Indonesian SPCs, if considered to be trading gains, will be assessed to tax on the Singapore SPCs.

Repayment of loans by Indonesian SPCs

Where the circumstances require, the Indonesian SPCs may use surplus cash that cannot be distributed as dividends to repay partially the principal amount of the loans from the Singapore SPCs. The amounts received by the Singapore SPCs from the repayment of the principal amount of the loans are not taxable on the Singapore SPCs.

Taxation of First REIT's Unitholders

First REIT's Distributions

Subject to First REIT's distribution policy (see "Distributions"), First REIT's distributions will mainly be made out of the following receipts:

- one-tier (tax exempt) dividends (*i.e.* tax-exempt income) received from the Singapore SPCs; and
- capital receipts from the redemption of redeemable preference shares in the Singapore SPCs.

Distributions out of tax-exempt income

Unitholders will be exempt from Singapore income tax on distributions made out of First REIT's tax-exempt income.

For this purpose, although the profits derived from the Properties for a distribution period can only be received in Singapore by First REIT from the Singapore SPCs in the form of one-tier (tax exempt) dividends within one to two months after the end of that distribution period, First REIT has obtained approval from the IRAS to treat distribution based on tax-exempt income that First REIT expects to receive from the Singapore SPCs as distribution made out of tax-exempt income. This approval is subject to a rollover adjustment mechanism. Under this mechanism, the amount of tax-exempt income that First REIT expects to receive is compared to the actual amount of tax-exempt income it subsequently receives from the Singapore SPCs. In the event that the actual amount is lesser, the amount of tax-exempt income available for distribution for the distribution period ending immediately after the receipt of the tax-exempt income will be reduced by the amount of tax-exempt income over-distributed.

Distributions out of capital receipts

Unitholders will not be subject to Singapore income tax on distributions made by First REIT out of its capital receipts, comprising amounts received from the redemption of redeemable preference shares in the Singapore SPCs. These distributions will be treated as return of capital for Singapore income tax purposes. For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of such distributions will be applied to reduce the cost of the Units for the purpose of calculating the amount of taxable trading gain arising from a subsequent disposal of the Units. If the amount exceeds the cost of the Units, the excess will be subject to tax as trading income of such Unitholders.

Distributions out of gains from the disposal of shares in the Singapore SPCs

Distributions made out of gains from the disposal of shares in the Singapore SPCs, that is if the Manager exercises its discretion to distribute such gains, will:

- not be assessable to tax on Unitholders if the gains are determined to be capital gains for Singapore income tax purposes, unless the distributions are considered gains or profits of a trade or business carried on by the Unitholder, for example, if the Units are held as trading assets; or
- be assessable to tax on Unitholders if the gains are determined to be trading gains for Singapore income tax purposes, unless the Unitholder is specifically exempt from tax on such distributions, for example, if he is an individual who holds the Units as investment assets. Tax on such trading gains will be assessed on, and collected from, the Trustee and the tax paid by the Trustee will be imputed as a tax credit to Unitholders who are liable to tax on such distributions. This treatment of imputing the tax paid as a credit to Unitholders will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the Trustee will be exempt from tax in the hands of Unitholders.

Disposal of Units

Singapore does not impose tax on capital gains. Any gains on disposal of the Units are not liable to Singapore income tax provided the Units are held as investment assets. Where the Units are held as trading assets of a trade or business carried on in Singapore, any gains on disposal of the Units are liable to Singapore income tax under Section 10(1)(a) of the Income Tax Act. Where the Units are not held as trading assets but the Unitholder has no intention to hold the Units for purposes of long-term investment, any gains on disposal of the Units could be construed as "gains or profits of an income nature" liable to tax under Section 10(1)(g) of the Income Tax Act.

Stamp Duty

Stamp duty will not be imposed on instruments of transfers relating to the Units. In the event of a change of the Trustee, stamp duty on any document effecting the appointment of a new trustee and the transfer of the trust assets from the incumbent trustee to the new trustee will be charged at a nominal rate not exceeding S$10.00 as specified under Article 3(g)(iii) of the First Schedule to the Stamp Duties Act, Chapter 312 of Singapore.

Indonesian Tax Implications

Rental of Land and/or Buildings by the Indonesian SPCs to the Sponsor

- **Article 4(2) Withholding Income Tax**

  Article 3 of Government Regulation No. 5/2002 on the payment of income tax on income from the lease of land and/or buildings stipulates that income tax is required to be paid on income received or acquired by individuals or entities from the leasing of land and/or buildings consisting of land, houses, multi-storey houses, apartments, condominiums, office buildings, office-cum-living space, shops, shop cum house, warehouse and industrial space at the rate of 10.0% of the gross value of the land and/or building rental and shall be final in nature.

  The payment of rental on land and/or buildings leased by the Sponsor to the Indonesian SPCs will be subject to a final income tax at the rate of 10.0% on the gross value of the land and/or buildings' rent.

- **Corporate Income Tax**

  The imposition of final income tax does not mean that the income from the lease of land and/or buildings does not need to be reported in the annual income tax return (*SPT PPh*). The income still needs to be reported in the income tax return, but it does not need to be combined with the other income in the calculation of taxable income in the relevant tax year.

- **VAT on the Rental of Land and/or Building**

  Article 4 (c) and Article 7 of Tax Law No. 18/2000 stipulates that a 10.0% Value Added Tax ("**VAT**") shall be imposed on the rendering of taxable services within the Indonesian customs territory by a taxable entity.

  Thus, based on the above regulations, the four Indonesian SPCs must charge VAT on the rent of land and/or building (taxable service) to the Sponsor at the rate of 10.0%.

Payment of Dividends from the Indonesian *SPCs* to the Singapore *SPCs*

- **Tax implications for the Indonesian SPCs**

  (a) VAT on the Payment of Dividends

  There will be no VAT on the payment of dividends.

  (b) Article 26 Withholding Income Tax on the Payment of Dividends

  The Indonesian tax rules generally require a 20.0% tax to be withheld on the payment of a dividend from an Indonesian taxpayer to an offshore tax resident. Under the double tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to 10.0% on the payment of a dividend to a Singapore tax resident beneficial owner of the dividend. The reduced rate is available to a Singapore company only if the company submits an original copy of its certificate of domicile to the Indonesian payor prior to the payment of the dividend.

  On 7 July 2005, the Directorate General of Taxation in Indonesia issued a circular letter indicating that the benefits of Indonesia's double tax treaties would not be available to a recipient of Indonesian-sourced income who was not the beneficial owner of such income. The circular letter further elaborated that a "special purpose vehicle" which is a "conduit company", "paper box company", "pass-through company" or any similar form of entity would not qualify as the beneficial owner of payments received by it. It remains uncertain as to how the Indonesian tax authorities will decide whether or not the Singapore SPCs are the beneficial owners of dividends received from the Indonesian SPCs.

  In the event that the Singapore SPCs were viewed by the Indonesian tax authorities as conduit companies or pass-through companies, and therefore not as the beneficial owners of dividends received from the Indonesian SPCs, the investors in First REIT should in that case be viewed as the beneficial owners of the dividends. In that case it should still be possible to take the position that the reduced rate of withholding tax is applicable, to the extent that the investors in First REIT are tax resident in Singapore or any other jurisdiction with the same tax rate under their respective double tax treaty.

  There is no need for the Indonesian SPCs to obtain tax clearance or other approvals in order to declare or remit dividends.

- **Payment of Shareholders' Loans**

  (a) The Repayment Principal of Shareholder's Loans

  The repayment of principal from the shareholders' loans will not be subject to any form of Indonesian tax as there are no thin capitalisation rules in Indonesia.

  (b) Interest on Shareholders' Loans

  The Indonesian tax rules generally require a 20.0% tax to be withheld on the payment of interest from an Indonesian taxpayer to an offshore tax resident. Under the double tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to 10.0% on the payment of interest to Singapore tax resident beneficial owner of the interest. The reduced rate is available to a Singapore company only if the company submits an original copy of its certificate of domicile to the Indonesian payor prior to the payment of the interest.

As set out above, the Directorate General of Taxation in Indonesia issued a circular letter indicating that the benefits of Indonesia's double tax treaties would not be available to a recipient of Indonesian-sourced income who was not the beneficial owner of such income. The circular letter further elaborated that a "special purpose vehicle" which is a "conduit company", "paper box company", "pass-through company" or any similar form of entity would not qualify as the beneficial owner of payments received by it. It remains uncertain as to how the Indonesian tax authorities will decide on whether or not the Singapore SPCs are the beneficial owners of interest received from the Indonesian SPCs.

In the event that the Singapore SPCs were viewed by the Indonesian tax authorities as conduit companies or pass-through companies, and therefore not as the beneficial owners of interest received from the Indonesian SPCs, the investors in First REIT should in that case be viewed as the beneficial owners of the interest.

In that case it should still be possible to take the position that the reduced rate of withholding tax is applicable, to the extent that the investors in First REIT are tax resident in Singapore or any other jurisdiction with the same tax rate under their respective double tax treaty.

There is no need for the Indonesian SPCs to obtain tax clearance or other approvals in order to declare or remit interest payments.

PLAN OF DISTRIBUTION

The Manager is making an offering of 140,400,000 Units (representing approximately 51.7% of the total number of Units in issue after the Offering) for subscription at the Offering Price under the Placement and the Public Offer. 133,400,000 Units are offered under the Placement and 7,000,000 Units are offered under the Public Offer. Units may be re-allocated between the Placement and the Public Offer in the event of excess applications in one and a deficit of applications in the other.

The Public Offer is open to members of the public in Singapore. Under the Placement, the Manager intends to offer the Units by way of an international placement through the Underwriters to investors, including institutional and other investors in Singapore. Subject to the terms and conditions set forth in the Underwriting Agreement, the Manager is expected to effect for the account of First REIT the issue of, and the Underwriters are expected to severally (and not jointly) subscribe, or procure subscribers for, 140,400,000 Units, in the proportions set forth opposite their respective names below.

Underwriters	Number of Units
Merrill Lynch	70,200,000
OCBC Bank	70,200,000
Total	**140,400,000**

The Units are being offered at the Offering Price, which is at a discount of 17.9% to the NAV per Unit. The Offering Price per Unit under the Placement and the Public Offer is identical. The Underwriters have agreed to subscribe and pay for, or procure subscription and payment for 140,400,000 Units at the Offering Price, less the Underwriting, Selling and Management Commission to be borne by First REIT. To the extent of those Units that are subsequently sold pursuant to the exercise of the Over-allotment Option, First REIT will bear the Underwriting, Selling and Management Commission in respect of such Units.

The Offering Price has been determined, following a book-building process, by agreement between the Underwriters and the Manager. Among the factors that were considered in determining the Offering Price were the level of investor demand for the Units and the prevailing market conditions in the securities markets.

The Manager and the Sponsor have agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities.

The Underwriting Agreement also provides that the obligations of the Underwriters to subscribe and pay for or procure the subscription or payment for the Units in the Offering are subject to the satisfaction of certain conditions contained in the Underwriting Agreement.

The Underwriting Agreement may be terminated by the Underwriters at any time prior to payment being made for the Units, upon the occurrence of certain events including, among other things, any change or development in local, national or international financial, political, economic or currency or market conditions or any monetary or trading settlement system (including but not limited to a devaluation of the Singapore currency against any foreign currencies) in Singapore, Indonesia, Hong Kong, London or the United States or other events in the nature of force majeure, any suspension or limitation on trading in securities generally on the New York Stock Exchange, London Stock Exchange, JSX, SSX, The Stock Exchange of Hong Kong Limited or the SGX-ST, or any banking moratorium or disruption in commercial banking activities, securities settlement or clearing services or foreign exchange trading in or affecting Singapore, Hong Kong, Indonesia, Europe or New York, or there has occurred any outbreak or escalation of hostilities (including any act of terrorism) or calamity or crisis or epidemic involving Singapore, Indonesia, Hong Kong, Europe or the United States, and in each case the effect of which is such as to, in the judgement of the Underwriters, be likely to prejudice the success of the Offering.

Subscribers of the Units may be required to pay brokerage (and if so required, such brokerage will be up to 1.0% of the Offering Price) and applicable stamp duties, taxes and other similar charges (if any) in accordance with the laws and practices of the country of subscription, in addition to the Offering Price.

The Underwriters and their respective affiliates may engage in transactions with, and perform services for, the Trustee, the Manager, the Sponsor and First REIT in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with the Trustee, the Manager, the Sponsor and First REIT, for which they have received, or may in the future receive, customary compensation.

Over-allotment and Stabilisation

The Unit Lender (also the Vendor) has granted the Over-allotment Option to the Underwriters for the purchase of up to an aggregate of 20,000,000 Units at the Offering Price. The number of Units subject to the Over-allotment Option will not be more than 20.0% of the number of Units under the Placement and the Public Offer. The Stabilising Manager may exercise the Over-allotment Option in full or in part, on one or more occasions, within 30 days from the date of commencement of trading of the Units on the SGX-ST, solely to cover over-allotments of Units (if any) in connection with the Offering, subject to applicable laws and regulations.

In connection with the Over-allotment Option, the Stabilising Manager and the Unit Lender (also the Vendor), have entered into a unit lending agreement ("the "**Unit Lending Agreement**") dated 4 December 2006 pursuant to which the Stabilising Manager may borrow up to an aggregate of 20,000,000 Units from the Unit Lender (also the Vendor) for the purpose of facilitating settlement of the over-allotment of Units (if any) in connection with the Offering. The Stabilising Manager will re-deliver to the Unit Lender (also the Vendor) such number of Units which have not been purchased pursuant to the exercise of the Over-allotment Option.

In connection with the Offering, the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) may, in consultation with the other Underwriter, over-allot or effect transactions which stabilise or maintain the market price of the Units at levels which might not otherwise prevail in the open market. Such transactions may be effected on the SGX-ST and in other jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulations, including the SFA and any regulations thereunder. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilising action. Such transactions may commence on or after the date of commencement of trading of the Units on the SGX-ST and, if commenced, may be discontinued at any time and shall not be effected upon the earliest of (i) the date falling 30 days from the date of commencement of trading of the Units on the SGX-ST, (ii) the date when the over-allotment of the Units which are the subject of the Over-allotment Option has been fully covered (through the purchase of the Units on the SGX-ST and/or the exercise of the Over-allotment Option by the Stabilising Manager, on behalf of itself and the other Underwriter), or (iii) the date falling 30 days after the date of adequate public disclosure of the final price of the Units. Any profit after expenses derived, or any loss sustained, as a consequence of the Over-allotment Option or stabilising activities shall be for the account of the Underwriters.

None of the Manager, the Sponsor, the Unit Lender (also the Vendor) or the Stabilising Manager makes any representation or prediction as to the magnitude of any effect that the transactions described above may have on the price of the Units. In addition, none of the Manager, the Sponsor, the Unit Lender (also the Vendor) and the Stabilising Manager makes any representation that the Stabilising Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice (unless such notice is required by law). The Stabilising Manager will be required to make a public announcement *via* SGXNET in relation to the total number of Units purchased by the Stabilising Manager, not later than 12 noon on the next trading day of the SGX-ST after the transactions are effected. The Stabilising Manager will also be required to make a public announcement through the SGX-ST in relation to the cessation of stabilising action and the number of Units in respect of which the Over-allotment Option has been exercised not later than 8.30 a.m. on the next trading day of the SGX-ST after the cessation of stabilising action.

Lock-up Arrangements

The Unit Lender (also the Vendor)

The Unit Lender (also the Vendor) has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, sell or contract to sell, grant any option to purchase, grant any security over, encumber or otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the sale or disposition (whether by actual sale or disposition or effective economic sale or disposition due to cash settlement or otherwise) of (i) any or all of its direct interest in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the First Lock-Up Period;

and (ii) more than 50.0% of its direct interest in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the Second Lock-Up Period.

The restriction described in the preceding paragraph does not apply to:

- the transfer of its direct interest in the Units to the Sponsor or the Sponsor's wholly-owned subsidiaries and between wholly-owned subsidiaries of the Sponsor, provided that each such transferee gives a similar undertaking to the reasonable satisfaction of the Underwriters for the remainder of the First Lock-Up Period and/or the Second Lock-Up Period (as the case may be); and
- any securities lending arrangement with the Underwriters or any sale or transfer of its direct interest in the Units by the Unit Lender (also the Vendor) pursuant to exercise of the Over-allotment Option.

The Sponsor

The Sponsor has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, sell, or contract to sell, grant any option to purchase, grant any security over, encumber or otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the sale or disposition (whether by actual sale or disposition or effective economic sale or disposition due to cash settlement or otherwise) of (i) its direct or indirect interest in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the First Lock-Up Period; and (ii) more than 50.0% of its direct or indirect interest in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the Second Lock-Up Period.

The restriction described in the preceding paragraph does not apply to:

- the transfer of its direct or indirect interest in the Units to and between wholly-owned subsidiaries of the Sponsor, provided that each such transferee gives a similar undertaking to the reasonable satisfaction of the Underwriters for the remainder of the First Lock-Up Period and/or the Second Lock-Up Period (as the case may be); and
- any securities lending arrangement with the Underwriters or any sale or transfer of its direct or indirect interest in the Units by the Unit Lender pursuant to exercise of the Over-allotment Option.

The Manager

The Manager has agreed with the Underwriters that it will not (and will not cause or permit First REIT to), directly or indirectly, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed):

- offer, issue, sell, contract to issue or sell, grant any option to purchase, grant security over, encumber or otherwise dispose of, or enter into any transaction (excluding commitments for the sale and purchase of additional properties, whether in the form of a sale and purchase agreement or a put and call option) which is designed to, or might reasonably be expected to, result in the issuance, sale or disposition (whether by actual issuance, sale or disposition or effective economic issuance, sale or disposition due to cash settlement or otherwise) of any Units (or any securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision); or make any announcement with respect to any of the foregoing transactions other than as required by applicable laws or regulations during the First Lock-Up Period; and/or
- during the First Lock-up Period deposit any Units (or any securities convertible into or exchangeable for Units or which carry rights to subscribe for or purchase Units or part thereof) in any depositary receipt facility.

The restriction described in the preceding paragraph does not apply to any Units to be issued to the Manager in full or part payment of its fees under the Trust Deed.

LKC

LKC has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, sell, or contract to sell, grant any option to purchase, grant any security over, encumber or otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the sale or disposition (whether by actual sale or disposition or effective economic sale or disposition due to cash settlement or otherwise) of (i) its direct or indirect interest in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the First Lock-Up Period; and (ii) more than 50.0% of its direct or indirect interest in the Units (or any securities convertible into or exchangeable for the Units or which carry any rights to subscribe for or purchase Units) (adjusted for any bonus issue, consolidation or subdivision) as at Listing Date during the Second Lock-Up Period.

The restriction described in the preceding paragraph does not apply to:

- the transfer of its direct or indirect interest in the Units to the Sponsor or the Sponsor's wholly-owned subsidiaries and between wholly-owned subsidiaries of the Sponsor, provided that each such transferee gives a similar undertaking to the reasonable satisfaction of the Underwriters for the remainder of the First Lock-Up Period and/or the Second Lock-Up Period (as the case may be); and
- any securities lending arrangement with the Underwriters or any sale or transfer of its direct or indirect interest in the Units by the Unit Lender pursuant to exercise of the Over-allotment Option.

RZB

RZB has agreed with the Underwriters that it will not, without the prior written consent of the Underwriters (such consent not to be unreasonably withheld or delayed), directly or indirectly, offer, sell or contract to sell or otherwise dispose of its effective interest in its Cornerstone Units as at Listing Date during the First Lock-Up Period.

The restriction described in the preceding paragraph does not apply to the transfer of the effective interest in the Cornerstone Units to or among wholly-owned subsidiaries of RZB, provided that each such transferee gives a similar undertaking to the reasonable satisfaction of the Underwriters for the remainder of the First Lock-Up Period.

SGX-ST Listing

First REIT has received a letter of eligibility from the SGX-ST for the listing and quotation of the Units on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Offering, First REIT, the Manager or the Units. It is expected that the Units will commence trading on the SGX-ST on a "ready" basis on or about 11 December 2006.

Prior to this Offering, there has been no trading market for the Units. There can be no assurance that an active trading market will develop for the Units, or that the Units will trade in the public market subsequent to this Offering at or above the Offering Price.

Issue costs

The estimated amount of the costs in relation to the Offering, issuance of the Consideration Units and Cornerstone Units of approximately S$9.8 million based on the Offering Price (assuming that the Over-allotment Option is not exercised) and S$10.4 million (assuming that the Over-allotment Option is fully exercised) includes the Underwriting, Selling and Management Commission, professional and other fees and all other incidental costs in relation to the Offering, which will be borne by First REIT. A breakdown of these estimated costs is as follows:

	(S$'000)
Professional and other fees(1)	2,610
Underwriting, Selling and Management Commission(2)	6,639
Miscellaneous expenses(3)	1,169
Total estimated costs in relation to the Offering, issuance of the Consideration Units and Cornerstone Units	**10,418**

Notes:

(1) Includes solicitors' fees and fees for the Independent Reporting Accountants, the Independent Singapore Tax Adviser, the Independent Indonesian Tax Adviser, both of the Independent Valuers and other professionals' fees.

(2) Based on the Offering Price of S$0.71 per Unit, such commissions represent approximately 4.32% of the total amount of the Offering, including the Cornerstone Units and assuming that the Over-allotment Option is fully exercised.

(3) Includes cost of prospectus production, roadshow expenses and certain other expenses incurred or to be incurred in connection with the Offering and the issuance of the Cornerstone Units and the Consideration Units.

Distribution and Selling Restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of the Units or the possession, circulation or distribution of this Prospectus or any other offering or publicity material relating to First REIT or the Units in any country or jurisdiction (other than Singapore, where action for the purpose is required). Accordingly, the Units may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material, circular, form of application or advertisement in connection with the Units may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations of any such country or jurisdiction.

Australia

This Prospectus does not constitute an offer of, or an invitation to purchase, the Units in or to any resident of Australia, other than set out below.

Offers of Units under this Prospectus to investors in Australia are only made to those investors who are "wholesale clients" under section 761G of the Corporations Act 2001 (Cth). If the Units are to be on-sold to investors in Australia without a product disclosure statement within 12 months of issue of the Units, they may only be on-sold to investors in Australia who are "wholesale clients" under section 761G of the Corporations Act 2001 (Cth). This Prospectus does not and is not intended to constitute a prospectus or product disclosure statement within the meaning of the Corporations Act 2001 (Cth) and neither this Prospectus nor any other prospectus or product disclosure statement has been lodged or registered with the Australian Securities and Investments Commission. No action has been taken by the issuer that would permit a public offering of the Units in Australia.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **"Relevant Member State"**), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **"Relevant Implementation Date"**), an offer of any Units to the public may not be made in that Relevant Member State prior to the publication of a prospectus in relation to the Units which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer to the public in that Relevant Member State of any Units may be made at any time:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- in any other circumstances which do not require the publication by First REIT of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Units to the public" in relation to any Units in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and any Units to be offered so as to enable an investor to decide to purchase or subscribe for the Units, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

France

This Prospectus does not constitute an offer or invitation for the subscription or purchase of Units in France. Neither this Prospectus nor anything contained herein shall form the basis of any contract or any obligation of any kind whatsoever in France. Any person who is in possession of this Prospectus is hereby notified that no action has or will be taken that would allow the offer and marketing of Units in France. Accordingly, the Units may not be marketed, offered, sold or delivered in France, and neither the Units nor any offering material relating to the Units may be distributed or made available in France, except as permitted by French law and regulation.

Germany

The distribution of the Units has not been and will not be notified to the *Bundesanstalt fur Finanzdienstleistungsaufsicht* (the "**BaFin**") and no documents or other information relating to the Units have been and will be filed with, approved by or notified to the BaFin in accordance with the German Investment Act (*Investmentgesetz*), the Securities Prospectus Act (*Wertpapierprospektgesetz*) or any other present or future applicable laws in Germany and the Units shall not be sold, distributed or promoted in Germany other than in compliance with the Investment Act, the Securities Prospectus Act and any other applicable German laws and regulations.

Hong Kong

This Prospectus has not been registered and will not be registered as a prospectus under the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). The Units may not be offered or sold in Hong Kong by means of any documents, other than to "professional investors" within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO") and in accordance with the requirements under the SFO and any rules made under the SFO. No person may have in its possession for the purposes of issue, or issue (in each case whether in Hong Kong or elsewhere), any prospectus, notice, circular, brochure, advertisement, invitation or other document relating to the Units which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Units which are or are intended to be disposed of (i) only to persons outside Hong Kong or (ii) only to "professional investors" within the meaning of the SFO and in accordance with the requirements under the SFO and any rules made under the SFO.

Indonesia

This Prospectus may not be distributed directly or indirectly in Indonesia or to any Indonesian entity or Indonesian citizen, and the Underwriters, may not offer or sell, directly or indirectly, any Units in Indonesia or to any Indonesian entity or Indonesian citizen, in a manner constituting a public offering of the Units under the Indonesian Capital Markets Law and the applicable regulations of BAPEPAM.

Ireland

The Units described in this Prospectus are interests in a collective investment scheme which is not supervised or authorised by the Irish Financial Regulator or approved by the Irish Financial Regulator to market the Units in Ireland. Therefore, no advertising or marketing of Units may take place in Ireland without the prior approval in writing of the Irish Financial Regulator. In addition, any sales or marketing of Units in Ireland must take place in accordance with all applicable provisions of the Irish Investment Intermediaries Act, 1995 (as amended), the Irish Market Abuse (Directive 2003/6/EEC) Regulations 2006 (as amended) and all other relevant laws, regulations and rules.

Italy

The offering of the Units has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation or the Bank of Italy. Accordingly, no Units may be offered, sold or delivered, directly or indirectly, nor may copies of this Prospectus nor any other documentation relating to the Units be distributed or made available in Italy except (i) to professional investors, as defined under Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended ("***Regulation No.*** *11522*"), in accordance with Article 100 and Article 30, second paragraph, of Legislative Decee No. 58 of 24 February 1998, as amended (the "***Financial Services Act***"), provided that such professional investors act in their capacity and not as depositories or nominees for other person; or (ii) in circumstances which are exempted from the rules of solicitation of investments pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("***Regulation No. 11971***").

In any event, the offering of the Units must be effected in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws and regulations.

Accordingly, the Units may not be offered, sold or delivered and copies of this Prospectus or any other documentation relating to the Units may not be distributed or made available in Italy unless such offer of the Units or distribution or availability of copies of this Prospectus or any other documentation relating to the Units in Italy is made: (i) by an investment firm, a bank or a financial intermediary permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**") and the implementing instructions of the Bank of Italy, the Financial Services Act, Regulation No. 11522, Regulation No. 11971 and any other applicable laws and regulations; (ii) in compliance with Article 129 of the Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue or offer of securities in Italy is subject to prior notification to the Bank of Italy unless an exemption, depending, *inter alia*, on the aggregate value of the securities issued or offered and the features of the securities, applies; and (iii) in compliance with any other applicable notification, requirement or limitation which may be imposed by CONSOB or the Bank of Italy. In any case, the Units should not be placed, offered, sold, re-sold or delivered on a retail basis, either in the primary or the secondary market, to any persons which are not professional investors and in any case to any individual residing in Italy. Each person in Italy receiving this Prospectus acknowledges that it (i) is a professional investor, as defined under Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended, (ii) is acting in its capacity as a professional investor and not as a depository or nominee for another person, and (iii) has agreed that it will not resell or deliver the Units purchased in this offering in Italy to persons which are not professional investors and in any case it will not resell or deliver the Units purchased in this offering to any individual residing in Italy.

Japan

The Units have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**") and each of the Underwriters has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident of Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption which will result on compliance with the Securities and Exchange Law and any other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and which are then in effect.

The Netherlands

The offer of the Units is subject to the provisions of the Prospectus Directive referred to above in "—Distribution and Selling Restrictions—European Economic Area". The Units can only be offered in the Netherlands without the publication, approval or notification of a prospectus in relation to the Units if an exemption applies. In the case of the offering of the Units, an exemption applies in view of the fact that the Units are solely offered to professional market parties within the meaning of the Exemption Regulation to the Act on the Supervision of the Securities Transactions 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*).

The Manager is exempted from the obligation to obtain a licence within the meaning of the Act on the Supervision of the Investment Institutions (*Wet toezicht beleggingsinstellingen*) as the Units may only be offered, sold, delivered or transferred, directly or indirectly, solely to individuals or legal entitles that trade or invest in investment products (*beleggingsproducten*) in the conduct of a profession or trade, including banks, brokers and institutional investors, within the meaning of the Exemption Regulation to the Act on the Supervision of the Investment Institutions (*Vrijstellingsregeling Wet toezicht beleggingsinstellingen*), as amended from time to time.

United Arab Emirates

The Units have not been and will not, directly or indirectly, be issued, offered, sold, delivered or publicly promoted or advertised in the United Arab Emirates (the "**UAE**") other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering, and/or sale, delivery or public promotion or advertisement of securities including without limitation those laws applicable in the Dubai International Financial Centre. This Prospectus is strictly private and confidential and has not been and will not be reviewed by, deposited or registered with any licensing authority, the Dubai International Financial Exchange or governmental agencies in the United Arab Emirates, including without limitation the Emirates Securities and

Commodities Authority or the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market, or any other UAE Exchange. This Prospectus may be issued to a limited number of institutional and/or sophisticated investors in the UAE upon their request and confirmation that they understand that First REIT has not been licensed by or registered with the UAE authorities concerned and that this Prospectus is intended only for the original recipient to whom it is addressed, must not therefore be provided to any person other than such original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this Prospectus does not, and is not intended to, constitute a public offer of securities in any part of the United Arab Emirates in accordance with the Commercial Companies Law (UAE Federal Law No. 8 of 1984 (as amended)) or otherwise, and is not intended to be an offer or an invitation to subscribe for or purchase any Units. Furthermore, the information contained in this Prospectus is not intended to lead to the conclusion of any contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom

The Units are interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the "**FSMA**")) which has not been authorised or reviewed by the Financial Services Authority or any other regulatory authority of the United Kingdom. Accordingly, this Prospectus is not being distributed to, and must not be passed on to, or relied or acted upon by, the general public in the United Kingdom.

This Prospectus is for distribution in the United Kingdom only to persons (i) who have professional experience of participating in unregulated collective investment schemes and of markets relating to investments falling within both Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2002 (the "**CIS Order**") and Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"), or (ii) who fall within both Article 22(2)(a) to (d) of the CIS Order and Article 49(2)(a) to (d) of the FP Order, or (iii) to whom communications relating to unregulated collective investment schemes may otherwise lawfully be made (such persons together "**Relevant Eligible Persons**").

By way of explanation, the following persons fall within Article 49(2)(a) to (d) of the FP Order and Article 22(2)(a) to (d) of the CIS Order:

- a body corporate which has more than 20 members or which is a subsidiary undertaking of a parent undertaking which has more than 20 members and which has a called up share capital or net assets of not less than £500,000;
- any other body corporate, unincorporated association or partnership which has a called up capital or net assets of not less than £5 million;
- the trustee of a high value trust (being a trust where the aggregate value of the cash and investments which form part of the trust's assets (before deducting the amount of its liabilities) is (a) £10 million or more, or (b) has been £10 million or more at any time during the year immediately preceding the date on which this communication was first directed); or
- any person acting in the capacity of a director, officer or employer of one of the previous three categories of persons and whose responsibilities include him or her engaging in investment activity.

Any investment or investment activity to which this Prospectus relates is only available to Relevant Eligible Persons or will be engaged in only with Relevant Eligible Persons and this financial promotion must not be relied or acted upon by persons who are not Relevant Eligible Persons. Expressions of interest resulting from this Prospectus will only be responded to if received from persons falling within those Articles.

United States of America

The Units have not been and will not be registered under the Securities Act and, accordingly may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act.

The Units are being offered and sold in offshore transactions in reliance on Regulation S. Terms used but not defined in this paragraph have the meanings given to them by Regulation S.

CLEARANCE AND SETTLEMENT

Introduction

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of the Units. For the purpose of trading on the SGX-ST, a board lot for the Units will comprise 1,000 Units.

Upon listing and quotation on the SGX-ST, the Units will be traded under the electronic book-entry clearance and settlement system of CDP. All dealings in and transactions of the Units through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts, as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its account-holders and facilitates the clearance and settlement of securities transactions between account-holders through electronic book-entry changes in the Securities Accounts maintained by such account-holders with CDP.

It is expected that the Units will be credited into the Securities Accounts of applicants for the Units within four Market Days after the closing date for applications for the Units.

Clearance and Settlement under the Depository System

The Units will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and depository agents in the depository register maintained by CDP will be treated as Unitholders in respect of the number of Units credited to their respective Securities Accounts.

Transactions in the Units under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Units sold and the buyer's Securities Account being credited with the number of Units acquired and no transfer stamp duty is currently payable for the transfer of Units that are settled on a book-entry basis.

Units credited to a Securities Account may be traded on the SGX-ST on the basis of a price between a willing buyer and a willing seller. Units credited into a Securities Account may be transferred to any other Securities Account with CDP, subject to the terms and conditions for the operation of Securities Accounts and a S$10.00 transfer fee payable to CDP. All persons trading in the Units through the SGX-ST should ensure that the relevant Units have been credited into their Securities Account, prior to trading in such Units, since no assurance can be given that the Units can be credited into the Securities Account in time for settlement following a dealing. If the Units have not been credited into the Securities Account by the due date for the settlement of the trade, the buy-in procedures of the SGX-ST will be implemented.

Clearing Fees

A clearing fee for the trading of Units on the SGX-ST is payable at the rate of 0.05% of the transaction value, subject to a maximum of S$200.00 per transaction. The clearing fee, deposit fee and unit withdrawal fee may be subject to GST (currently 5.0%).

Dealings in the Units will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with any CDP depository agent. A CDP depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

EXPERTS

RSM Chio Lim, one half of the Independent Reporting Accountants, were responsible for preparing the Independent Accountants' Report on the Unaudited Pro Forma Consolidated Financial Balance Sheet as at Listing Date and the Independent Accountants' Report on the Profit Forecast and Profit Projection found in Appendices A and B of this Prospectus, respectively. Aryanto Amir Jusuf & Mawar (RSM AAJ Associates), the other half of the Independent Reporting Accountants, were responsible for preparing the Independent Accountants' Reports on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 31 December 2005 and 30 June 2006 found in Appendices D and F of this Prospectus, respectively. RSM Chio Lim were responsible for preparing the Independent Accountants' Limited Review Report on the Reconciliation of Indonesian GAAP Consolidated Financial Statements to the International Financial Reporting Standards Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 31 December 2005 and 30 June 2006 found in Appendices D and F of this Prospectus, respectively. Both RSM Chio Lim and Aryanto Amir Jusuf & Mawar (RSM AAJ Associates) were responsible for preparing the Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Financial Year Ended 31 December 2005 and the Six Months Ended 30 June 2006 found in Appendices C and E of this Prospectus, respectively.

Ernst and Young, the Independent Singapore Tax Adviser, was responsible for preparing the Independent Singapore Taxation Report found in Appendix G of this Prospectus.

PB & Co., the Independent Indonesian Tax Adviser, was responsible for preparing the Independent Indonesian Taxation Report found in Appendix H of this Prospectus.

Knight Frank / PT. Willson Properti Advisindo and HVS International Singapore / PT. Artanila Permai, the Independent Valuers, were responsible for preparing the Independent Property Valuation Summary Reports found in Appendix I of this Prospectus.

Frost & Sullivan, the Independent Healthcare Consultant, was responsible for preparing the Independent Report on the Healthcare Industry in Indonesia found in Appendix J of this Prospectus.

The Independent Reporting Accountants, the Independent Singapore Tax Adviser, the Independent Indonesian Tax Adviser, the Independent Valuers and the Independent Healthcare Consultant have each given and have not withdrawn their written consents to the issue of this Prospectus with the inclusion herein of their names and their respective write-ups and reports and all references thereto in the form and context in which they respectively appear in this Prospectus, and to act in such capacity in relation to this Prospectus.

None of Allen & Gledhill, Stamford Law Corporation, Latham & Watkins LLP, Makes & Partners, Ery Yunasri & Partners or Shook Lin & Bok makes, or purports to make, any statement in this Prospectus and none of them is aware of any statement in this Prospectus which purports to be based on a statement made by it and none of the foregoing parties makes any representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this Prospectus.

GENERAL INFORMATION

(1) The profit forecast and profit projection contained in "Profit Forecast and Profit Projection" have been stated by the Directors after due and careful enquiry.

(2) The Manager, to the best of its knowledge, is not aware of any defects or deficiency in the Properties or any breach of laws, administrative regulations and regulatory requirements, by the Properties.

(3) There are no legal or arbitration proceedings pending or, so far as the Directors are aware, threatened against the Manager the outcome of which, in the opinion of the Directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position of the Manager.

(4) There are no legal or arbitration proceedings pending or, so far as the Directors are aware, threatened against First REIT the outcome of which, in the opinion of the Directors, may have or have had during the 12 months prior to the date of this Prospectus, a material adverse effect on the financial position (on a pro forma consolidated basis) of First REIT.

(5) The name, age and address of each of the Directors are set out in "The Manager and Corporate Governance—Directors of the Manager". A list of the present and past directorships of each Director and Executive Officer of the Manager over the last five years preceding 30 September 2006 is set out in Appendix L—"List of Present and Past Principal Directorships of Directors and Executive Officers".

(6) There is no family relationship among the Directors and executive officers of the Manager.

(7) Save as disclosed below, none of the Directors or Executive Officers of the Manager is or was involved in any of the following events:

- at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
- at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- any unsatisfied judgment against him;
- a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- at any time during the last 10 years, judgment been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

- to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere;

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

- the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the MAS or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

  Datuk Robert Chua Teck Chew was a director of Ace Family Lifestyle (S) Pte. Ltd. before it was wound up in 2000. A judicial manager was appointed pursuant to a petition filed by the directors of the company on 26 August 1999, citing that there will be a more advantageous realisation of the company's assets than would be effected on a winding-up. The judicial manager attempted to sell the assets and business of the company to a third party but negotiations fell through when the landlord insisted on terminating the tenancy and demanded vacant possession. As such, the judicial manager could not realise the company's assets as optimally as it had planned to. The consequence was that the liabilities of the company exceeded the realised assets, and the company was unable to pay its debts or was deemed unable to pay its debts. The judicial manager opined that it was just and equitable that the company be wound up.

  Datuk Robert Chua Teck Chew was also a non-executive director of Union Bright Investment Pte. Ltd., a dormant company. The only other director, who was an executive director, failed to submit the company's annual return on time and to call the statutory annual general meeting in November 2000, due to his busy travelling schedule. The Registry of Companies (as it was then known as) commenced legal proceedings against both directors in August 2001 and a fine was imposed on each of them.

(8) The financial year end of First REIT is 31 December. The annual audited financial statements of First REIT will be prepared and sent to Unitholders within three months of the financial year-end.

(9) A full valuation of each of the real estate assets held by First REIT will be carried out at least once a year in accordance with the Property Funds Guidelines. Generally, where the Manager proposes to issue new Units or to redeem existing Units, a valuation of the real properties held by First REIT must be carried out in accordance with the Property Funds Guidelines. The Manager or the Trustee may at any other time arrange for the valuation of any of the real properties held by First REIT if it is of the opinion that it is in the best interest of Unitholders to do so.

(10) While First REIT is listed on the SGX-ST, investors may check the SGX-ST website http://www.sgx.com for the prices at which Units are being traded on the SGX-ST. Investors may also check one or more major Singapore newspapers such as *The Straits Times*, *The Business Times* and *Lianhe Zaobao*, for the price range within which Units were traded on the SGX-ST on the preceding day.

(11) The Manager does not intend to receive soft dollars (as defined in the CIS Code) in respect of First REIT. Save as disclosed in this Prospectus, unless otherwise permitted under the Listing Manual, neither the Manager nor any of its Associates will be entitled to receive any part of any brokerage charged to First REIT, or any part of any fees, allowances or benefits received on purchases charged to First REIT.

(12) The SGX-ST has granted a waiver to First REIT from compliance with Rule 748(1) of the Listing Manual, which would otherwise require First REIT to announce *via* SGXNET its net tangible assets per unit at

the end of each week. Further, as the Manager has only been recently incorporated, the SGX-ST has granted a waiver to First REIT from compliance with Rule 404(5) of the Listing Manual, which would otherwise require the Manager to be reputable and have a track record in managing investments.

(13) The dates of, parties to, and general nature of every material contract which the trustee of First REIT has entered into within the two years preceding the date of this Prospectus (not being contracts entered into in the ordinary course of the business of First REIT) are as follows:

(a) the Trust Deed;

(b) the Singapore SPC Share Purchase Agreements; and

(c) the Deeds of Indemnity.

(14) Copies of the following documents are available for inspection at the registered office of the Manager at 78 Shenton Way, #22-01 Lippo Centre, Singapore 079120, for a period of six months from the date of this Prospectus:

(a) the material contracts referred to in paragraph 13 above, save for the Trust Deed (which will be available for inspection for so long as First REIT is in existence);

(b) the Underwriting Agreement;

(c) the Unit Lending Agreement;

(d) the Cornerstone Subscription Agreements;

(e) the Property Purchase Agreements;

(f) the Indonesian SPC Share Purchase Agreements;

(g) the Shareholders Loan Agreements;

(h) the Master Lease Agreements;

(i) the "Independent Accountants' Report on the Unaudited Pro Forma Consolidated Balance Sheet as at Listing Date" as set out in Appendix A of this Prospectus;

(j) the "Independent Accountants' Report on the Profit Forecast and Profit Projection" as set out in Appendix B of this Prospectus;

(k) the "Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Financial Year Ended 31 December 2005" as set out in Appendix C of this Prospectus;

(l) the "Independent Accountants' Report on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 31 December 2005" as set out in Appendix D of this Prospectus;

(m) the "Independent Accountants' Report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Six Months Ended 30 June 2006 (Unaudited)" as set out in Appendix E of this Prospectus;

(n) the "Independent Accountants' Report on the Consolidated Financial Statements of PT. Lippo Karawaci Tbk as at 30 June 2006 (Unaudited)" as set out in Appendix F of this Prospectus;

(o) the "Independent Singapore Taxation Report" as set out in Appendix G of this Prospectus;

(p) the "Independent Indonesian Taxation Report" as set out in Appendix H of this Prospectus;

(q) the "Independent Property Valuation Summary Reports" as set out in Appendix I of this Prospectus as well as the full valuation reports referred to therein for each of the Properties;

(r) the “Independent Report on the Healthcare Industry in Indonesia” as set out in Appendix J of this Prospectus;

(s) the written consents of the Independent Reporting Accountants, the Independent Singapore Tax Adviser, the Independent Indonesian Tax Adviser, the Independent Valuers and the Independent Healthcare Industry Consultant (see “Experts”);

(t) the undertaking of the Manager to the MAS covenanting, among other things, not to deal in the Units during certain stipulated periods (see “The Manager and Corporate Governance—Corporate Governance of the Manager—Dealings in Units”);

(u) the undertaking of the Manager to the SGX-ST that it will conduct a valuation of First REIT’s real estate and real estate-related assets annually and announce the net asset value per Unit on a quarterly basis (see “The Manager and Corporate Governance—Annual Reports”); and

(v) the Depository Services Agreement.

(15) The unit register is available for inspection at the registered office of the Unit Registrar at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315.

GLOSSARY

%	*Per centum* or percentage
Application Forms	The printed application forms to be used for the purpose of the Offering and which form part of this Prospectus
Application List	The list of applicants subscribing for Units which are the subject of the Public Offer
ASM Funds	ASM Asia Recovery (Master) Fund and ASM Hudson River Fund, which are both managed by Argyle Street Management Limited
Associate	Has the meaning ascribed to it in the Listing Manual
ATMs	Automated Teller Machines
Base Fee	0.4% per annum of the value of First REIT's Deposited Property payable to the Manager
Basic Agrarian Law	The Basic Agrarian Law (Law No. 5 of 1960)
Board	The board of directors of the Manager
Business Day	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading
Carved Out Segment	The operating units at the four Properties
CDP	The Central Depository (Pte) Limited
Centre of Excellence	A term used by the Sponsor 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
CGI	Consultative Group for Indonesia
CIS Code	The Code on Collective Investment Schemes issued by the MAS
Companies Act	Companies Act, Chapter 50 of Singapore
Completion Amount	The total amount to be paid by the Trustee to the Vendor on the completion of the sale and purchase of all of the ordinary shares and redeemable preference shares in the Singapore SPCs at completion pursuant to the Singapore SPC Share Purchase Agreements
Consideration Units	The 75,000,000 Units to be issued to the Vendor at the Offering Price on the completion of the sale and purchase of all of the ordinary shares and redeemable preference shares in the Singapore SPCs at completion under the Singapore SPC Share Purchase Agreements in partial satisfaction of the Completion Amount
Cornerstone Investors	ASM Funds, RZB (*via* its wholly-owned subsidiary, Golden Rainbow International Limited), Quantum and Prima
Cornerstone Subscription Agreements	The four subscription agreements (i) dated 3 October 2006 entered into between ASM Funds and the Manager, pursuant to which ASM

	Funds agreed to subscribe for 12,500,000 Cornerstone Units, (ii) dated 13 October 2006 entered into between RZB and the Manager, pursuant to which RZB agreed to subscribe for 25,000,000 Cornerstone Units, (iii) dated 2 October 2006 entered into between Quantum and the Manager, pursuant to which Quantum agreed to subscribe for 12,500,000 Cornerstone Units, and (iv) dated 2 October 2006 entered into between Prima and the Manager, pursuant to which Prima agreed to subscribe for 6,000,000 Cornerstone Units
Cornerstone Units	The 56,000,000 Units to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Subscription Agreements
CPF	Central Provident Fund
CPI	Consumer Price Index
CPIHG	CP Inlandsimmobilien Holding Gmbh
Deeds of Indemnity	The deeds of indemnity entered into by the Sponsor on 23 October 2006 pursuant to which the Sponsor will, subject to certain conditions, indemnify the Trustee against liabilities or damage suffered by the Trustee arising from the four Singapore SPC Share Purchase Agreements
Deposited Property	All of the assets of First REIT, including the Properties and all of the authorised investments of First REIT for the time being held or deemed to be held upon the trusts under the Trust Deed
Depository Services Agreement	The depository services agreement dated 21 October 2006 entered into between CDP, the Manager and the Trustee relating to the deposit of the Units in CDP
Director	Director of the Manager
Dr Ronnie Tan	Dr Ronnie Tan Keh Poo @ Tan Kay Poo
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Extraordinary Resolution	A resolution proposed and passed as such by a majority consisting of 75.0% or more of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed
First Lock-Up Period	The period commencing from Listing Date until the date falling 180 days after Listing Date
First REIT	First Real Estate Investment Trust, a real estate investment trust established in Singapore and constituted by the Trust Deed
Forecast Period 2006	The period commencing from 1 October 2006 and ending 31 December 2006
Further Preceding Calendar Year	The year preceding the preceding calendar year
FY	Financial year ended or, as the case may be, ending 31 December
GDP	Gross Domestic Product
GFA	Gross Floor Area
GR on Land Regulation	The Basic Agrarian Law and its implementing regulations (including Government Regulation No. 24 of 1997)

Gross Revenue	Comprises income derived from the rental of the Properties to the Master Lessee under the Master Lease Agreements, together with interest income earned on cash balances with banks
GST	Goods and services tax
HGB	*Hak Guna Bangunan* (Right to Build)
Hospital Operator	PT. Siloam International Hospitals, a wholly-owned subsidiary of the Sponsor
Hospitals	(i) Siloam Hospitals Lippo Karawaci, (ii) Siloam Hospitals West Jakarta, and (iii) Siloam Hospitals Surabaya
HVS International or HVS	HVS International Singapore / PT. Artanila Permai, independent valuer to the Trustee
HY	Half year ended or, as the case may be, ending 30 June
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Imperial Aryaduta Hotel & Country Club	The property and the land located at Jalan Bulevar Jenderal Sudirman 401, Lippo Karawaci 1300, Tangerang, Indonesia as evidenced by Certificates of Right to Build Nos. 00061/Bencongan Indah, 00062/Bencongan Indah, 00063/Bencongan Indah, 10859/Bencongan, 9393/Bencongan, 14411/Bencongan, 9683/Bencongan, 9678/Bencongan, 9392/Bencongan, 10856/Bencongan, 10857/Bencongan, 9682/Bencongan, 9681/Bencongan, 9679/Bencongan, 9680/Bencongan
Income Tax Act	The Income Tax Act, Chapter 134 of Singapore
Independent Reporting Accountants	RSM Chio Lim and Aryanto Amir Jusuf & Mawar (RSM AAJ Associates)
Independent Healthcare Industry Consultant	Frost & Sullivan
Independent Indonesian Tax Adviser	PB & Co.
Independent Singapore Tax Adviser	Ernst & Young
Independent Valuers	Knight Frank and HVS International
Indonesian SPC Share Purchase Agreements	The four agreements dated 12 June 2006 entered into (i) between (a) PT. Sentra Dinamika Perkasa, (b) PT. Prudential Development and PT. Sentra Dwimandiri (as vendors), and (c) GOT Pte. Ltd. and Lovage International Pte. Ltd. (as purchasers) for the sale and purchase of the entire issued share capital of PT. Sentra Dinamika Perkasa, (ii) between (a) PT. Graha Indah Pratama, (b) PT. Prudential Development and PT. Sentra Dwimandiri (as vendors), and (c) Henley Investments Pte. Ltd. and Primerich Investments Pte. Ltd. (as purchasers) for the sale and purchase of the entire issued share capital of PT. Graha Indah Pratama, (iii) between (a) PT. Tata Prima Indah, (b) PT. Prudential Development and PT. Sentra Dwimandiri (as vendors), and (c) Primerich Investments Pte. Ltd. and GOT Pte. Ltd.

	(as purchasers) for the sale and purchase of the entire issued share capital of PT. Tata Prima Indah, and (iv) between (a) PT. Karya Sentra Sejahtera, (b) PT. Prudential Development and PT. Sentra Dwimandiri (as vendors), and (c) Lovage International Pte. Ltd. and Henley Investments Pte. Ltd. (as purchasers) for the sale and purchase of the entire issued share capital of PT. Karya Sentra Sejahtera, and "**Indonesian SPC Share Purchase Agreement**" means any one of them
Indonesian SPCs	The four companies incorporated in Indonesia, being (i) PT. Sentra Dinamika Perkasa, (ii) PT. Graha Indah Pratama, (iii) PT. Tata Prima Indah, and (iv) PT. Karya Sentra Sejahtera, which will own (i) Siloam Hospitals Lippo Karawaci, (ii) Siloam Hospitals West Jakarta, (iii) Siloam Hospitals Surabaya and (iv) Imperial Aryaduta Hotel & Country Club respectively on Listing Date, and "**Indonesian SPC**" means any one of them
Interested Person	Has the meaning ascribed to it in the Listing Manual
Interested Person Transaction	Has the meaning ascribed to it in the Listing Manual
IRAS	Inland Revenue Authority of Singapore
Investible Savings	The balance in a CPF Ordinary Account plus the net amounts (if any) withdrawn for education and investment
Joint Lead Managers	ML and OCBC Bank
JCIA	The Joint Commission International Accreditation based in the U.S.
JSX	The Jakarta Stock Exchange
km	kilometre
Knight Frank	Knight Frank / PT. Willson Properti Advisindo, independent valuer to the Manager
Labour Law	Law No. 13/2003, enacted by the Indonesian government
Listing Date	The date of admission of First REIT to the Official List of the SGX-ST
Listing Manual	The Listing Manual of the SGX-ST
LKC	Lippo Karawaci Corporation Pte. Ltd., a wholly-owned subsidiary of the Sponsor
LQ 45 Index	A capitalisation-weighted index of the 45 most heavily traded stocks on the JSX
Manager	Bowsprit Capital Corporation Limited, as manager of First REIT
Market Day	A day on which the SGX-ST is open for trading in securities

MAS	The Monetary Authority of Singapore
Master Lease Agreements	The four lease agreements dated 23 October 2006 entered into between the Master Lessee and the Indonesian SPCs in relation to the Properties, and "**Master Lease Agreement**" means any one of them
Master Lessee	PT. Lippo Karawaci Tbk, also the Sponsor
Merrill Lynch or ML	Merrill Lynch (Singapore) Pte. Ltd.
MoH Regulation No.159b	Indonesia Minister of Health Regulation No.159b / MENKES / PER / II / 1988
NAV	Net Asset Value
NPI or Net Property Income	Consists of property income less property expenses as defined in the Trust Deed
OCBC Bank	Oversea-Chinese Banking Corporation Limited
Offering	The offering of 140,400,000 Units by the Manager for subscription at the Offering Price under the Placement and the Public Offer, subject to the Over-allotment Option
Offering Price	The subscription price of each Unit under the Offering being S$0.71 per Unit
Ordinary Resolution	A resolution proposed and passed as such by a majority being 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed
Over-allotment Option	An option granted by the Unit Lender to the Underwriters to purchase from the Unit Lender up to an aggregate of 20,000,000 Units at the Offering Price, solely to cover the over-allotment of Units (if any)
Participating Banks	OCBC Bank, DBS Bank Ltd (including POSB) ("**DBS Bank**") and United Overseas Bank Limited ("**UOB Bank**") including its subsidiary, Far Eastern Bank Limited (the "**UOB Group**")
Performance Fee	5.0% per annum of the NPI of First REIT or the NPI of the relevant SPCs for each financial year (calculated before accounting for this additional fee in that financial year)
Placement	The international placement of Units to investors, including institutional and other investors in Singapore, pursuant to the Offering
Prima	Prima Portfolio Pte Ltd
Pro Forma Combined Financial Information	Pro Forma Combined Financial information of the Carved Out Segment of PT. Lippo Karawaci Tbk for the Financial Year Ended 31 December 2005 and the Six Months Ended 30 June 2006
Projection Year 2007	The financial year ending 31 December 2007
Property Purchase Agreements	The four agreements dated 12 June 2006 entered into (i) between the Sponsor and PT. Sentra Dinamika Perkasa for the sale and purchase of Siloam Hospitals Lippo Karawaci, (ii) between the Sponsor and

	PT. Graha Indah Pratama for the sale and purchase of Siloam Hospitals West Jakarta, (iii) between the Sponsor and PT. Tata Prima Indah for the sale and purchase of Siloam Hospitals Surabaya, and (iv) between the Sponsor and Imperial Aryaduta Hotel & Country Club for the sale and purchase of Imperial Aryaduta Hotel & Country Club, and "**Property Purchase Agreement**" means any one of them
Properties	The properties comprising First REIT's initial asset portfolio as at Listing Date, namely, (i) Siloam Hospitals Lippo Karawaci, (ii) Siloam Hospitals West Jakarta, (iii) Siloam Hospitals Surabaya, and (iv) Imperial Aryaduta Hotel & Country Club, and "**Property**" means any one of them
Property Funds Guidelines	The guidelines to real estate investment trusts issued by the MAS as Appendix 2 of the CIS Code
Public Offer	The offering to the public in Singapore
Quantum	Quantum Asset Management Pte. Ltd.
Recognised Stock Exchange	Any stock exchange of repute in any part of the world
REIT	real estate investment trust
Regulation S	Regulation S under the Securities Act
Related Party	Refers to an interested person and/or, as the case may be, an interested party
Rent/EBITDA ratio	Ratio of rent payment over EBITDA
Rent Revision Date	The first anniversary of the commencement date of the lease and each subsequent anniversary date of this commencement date of the lease
Right of First Refusal	A right that an offer be made to First REIT over future sales of healthcare and/or healthcare-related hospitality properties which are owned by the Sponsor or any of its subsidiaries, as described in "Certain Agreements Relating to First Real Estate Investment Trust and the Properties—Description of the Right of First Refusal"
ROFR Confirmation Period	The period of seven days commencing on the day following the date the relevant landlord receives a written notice from the Master Lessee, in accordance with the terms of the Right of First Refusal
ROFR Exercise Period	The period of 30 days commencing on the day following the date the relevant landlord receives a written notice from the Master Lessee, in accordance with the terms of the Right of First Refusal
Rp. or Indonesian Rupiah	The lawful currency of the Republic of Indonesia
RZB	Raiffeisen Zentralbank Österreich AG
S$ or Singapore dollars and cents	Singapore dollars and cents, the lawful currency of the Republic of Singapore

SARS	Severe Acute Respiratory Syndrome
Second Lock-Up Period	The period commencing from the day immediately following the First Lock-up Period until the date falling 360 days after Listing Date
Securities Account	Securities account or sub-account maintained by a Depositor (as defined in Section 130A of the Companies Act) with CDP
Securities Act	U.S. Securities Act of 1933, as amended
Settlement Date	The date and time on which the Units are issued as settlement under the Offering
SFA or Securities and Futures Act	Securities and Futures Act, Chapter 289 of Singapore
SFRS	Singapore Financial Reporting Standards
SGX-ST	Singapore Exchange Securities Trading Limited
Shareholders Loan Agreements	The four shareholders' loan agreements dated 23 October 2006 pursuant to which (i) GOT Pte. Ltd. will provide a shareholder's loan to PT. Sentra Dinamika Perkasa, (ii) Henley Investments Pte. Ltd. will provide a shareholder's loan to PT. Graha Indah Pratama, (iii) Primerich Investments Pte. Ltd. will provide a shareholder's loan to PT. Tata Prima Indah, and (iv) Lovage International Pte. Ltd. will provide a shareholder's loan to PT. Karya Sentra Sejahtera, and "**Shareholders Loan Agreement**" means any one of them
Siloam Hospitals Lippo Karawaci	The property and the land located at Jalan Siloam No. 6, Lippo Karawaci 1600, Tangerang, Banten, Indonesia as evidenced by Certificates of Right to Build Nos. 9687/ Bencongan, 4439/ Bencongan, 3867/ Bencongan, 9688/ Bencongan, 10186/ Bencongan, 10187/ Bencongan and 6938/ Bencongan
Siloam Hospitals Surabaya	The property and the land located at Jalan Raya Gubeng No. 70, Surabaya, East Java, Indonesia as evidenced by Certificates of Right to Build Nos. 343/ Gubeng, 340/ Gubeng, 408/ Gubeng, 494/ Gubeng, 476/ Gubeng, 325/ Gubeng, 243K/ Gubeng, 264/ Gubeng and 410/ Gubeng
Siloam Hospitals West Jakarta	The property and the land located at Jalan Raya Perjuangan Kav. 8, District Kebon Jeruk, Sub-District Kebon Jeruk, West Jakarta, Indonesia as evidenced by Certificates of Right to Build No. 1313/ Kebon Jeruk
Singapore SPCs	The four companies incorporated in Singapore, being (i) GOT Pte. Ltd., (ii) Henley Investments Pte. Ltd., (iii) Primerich Investments Pte. Ltd., and (iv) Lovage International Pte. Ltd. which will each be a majority shareholder in (i) PT. Sentra Dinamika Perkasa, (ii) PT. Graha Indah Pratama, (iii) PT. Tata Prima Indah, and (iv) PT. Karya Sentra Sejahtera respectively on Listing Date and "**Singapore SPC**" means any one of them
Singapore SPC Share Purchase Agreements	The agreements dated 23 October 2006 between (i) the Vendor and the Trustee for the sale and purchase of all of the ordinary shares and redeemable preference shares in GOT Pte. Ltd. at completion, (ii) the Vendor and the Trustee for the sale and purchase of all of the ordinary

shares and redeemable preference shares in Henley Investments Pte. Ltd. at completion, (iii) the Vendor and the Trustee for the sale and purchase of all of the ordinary shares and redeemable preference shares in Primerich Investments Pte. Ltd. at completion, and (iv) the Vendor and the Trustee for the sale and purchase of all of the ordinary shares and redeemable preference shares in Lovage International Pte. Ltd. at completion, and "**Singapore SPC Share Purchase Agreement**" means any one of them

Sponsor	PT. Lippo Karawaci Tbk
SPC	Has the meaning ascribed to it in the Trust Deed and means any entity including any unlisted company in or outside Singapore constituted to hold or own real estate assets
sq ft	square feet
sq m	square metres
SSX	The Surabaya Stock Exchange
Stabilising Manager	ML
Substantial Unitholder	Any Unitholder with an interest in one or more Units constituting not less than 5.0% of all Units in issue
Trust Deed	The trust deed dated 19 October 2006 entered into between the Trustee and the Manager constituting First REIT.
Trustee	HSBC Institutional Trust Services (Singapore) Limited, as trustee of First REIT
Unaudited Pro Forma Consolidated Balance Sheet	Unaudited Pro Forma Consolidated Balance Sheet of First REIT as at Listing Date
Underwriters	ML and OCBC Bank
Underwriting Agreement	The underwriting agreement dated 4 December 2006 entered into between the Sponsor, the Manager and the Underwriters
Underwriting, Selling and Management Commission	The underwriting, selling and management commission payable to the Underwriters for their services in connection with the Offering and the Cornerstone Units
Unit	An undivided interest in First REIT as provided for in the Trust Deed
Unit Lender	Bridgewater International Ltd., also the Vendor
Unitholder	The registered holder for the time being of a Unit including persons so registered as joint holders, except that where the registered holder is CDP, the term "**Unitholder**" shall, in relation to Units registered in the name of CDP, mean, where the context requires, the depositor whose Securities Account with CDP is credited with Units
Unit Registrar or Share Registrar	Lim Associates (Pte) Ltd
U.S.	United States of America

US$ or US dollars . . . . The lawful currency of the United States of America

VAT . . . . Value-added tax

Vendor . . . . Bridgewater International Ltd., a company incorporated in the Seychelles and the vendor of the ordinary shares and redeemable preference shares in each of the Singapore SPCs

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

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

Any reference to a time of day in this Prospectus is made by reference to Singapore time unless otherwise stated.

INDEPENDENT ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT LISTING DATE

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way, #22-01, Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay, #14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT LISTING DATE

We report on the Unaudited Pro Forma Consolidated Balance Sheet of First Real Estate Investment Trust ("First REIT") as at Listing Date (the " Pro Forma Consolidated Balance Sheet") set out on pages A-3 to A-17 of Appendix A of the prospectus (the "Prospectus") issued in connection with the Offering of certain units in First REIT, which has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments.

The Pro Forma Consolidated Balance Sheet as at Listing Date has been prepared on the basis of the assumptions set out in Section C of the attached financial statements to provide information on the financial position of First REIT, had the purchase of the four properties comprising Siloam Hospitals Lippo Karawaci; Siloam Hospitals, West Jakarta; Siloam Hospitals, Surabaya; and Imperial Aryaduta Hotel & Country Club been undertaken by First REIT under the same terms set out in the Prospectus on the Listing Date.

The Pro Forma Consolidated Balance Sheet has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of First REIT's actual financial position.

The Pro Forma Consolidated Balance Sheet is the responsibility of the directors of Bowsprit Capital Corporation Limited (the "Directors"). Our responsibility is to express an opinion on the Pro Forma Consolidated Balance Sheet based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24 "*Auditors and Public Offering Documents*". Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

(i) comparing the Pro Forma Consolidated Balance Sheet to the combined unaudited financial statements of First REIT and its subsidiaries as at Listing Date; and

(ii) considering the evidence supporting the pro forma adjustments and discussing the Pro Forma Consolidated Balance Sheet with the management and Directors.

In our opinion:

(a) the Pro Forma Consolidated Balance Sheet has been properly prepared from the combined financial statements of First REIT and the subsidiaries (which are prepared in accordance with Singapore Financial Reporting Standards ("SFRS")) and is presented in accordance with the relevant presentation principles of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts*" issued by the Institute of Certified Public Accountants of Singapore;

(b) the Pro Forma Consolidated Balance Sheet has been properly prepared in a manner consistent with both the format of the balance sheet and the relevant accounting policies of First REIT;

(c) each material adjustment to the information used in the computation of a financial effect relating to the Pro Forma Consolidated Balance Sheet is appropriate for the purpose of preparing such Pro Forma Consolidated Balance Sheet and is in accordance with SFRS; and

(d) the Pro Forma Consolidated Balance Sheet has been properly prepared on the basis of the assumptions and after making the adjustments as described in Section C below.

Yours faithfully

RSM Chio Lim
Certified Public Accountants
Singapore

Partner in charge: Kaka Singh
A member of the Institute of Certified Public Accountants of Singapore

FIRST REAL ESTATE INVESTMENT TRUST
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT LISTING DATE

(A) INTRODUCTION

The Unaudited Pro Forma Consolidated Balance Sheet of First Real Estate Investment Trust ("First REIT") as at Listing Date (the "Pro Forma Consolidated Balance Sheet") is for the purposes of the prospectus (the "Prospectus") issued in connection with the Offering of certain units in First REIT, which has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments.

First REIT is a Singapore-based real estate investment trust constituted by a trust deed entered into between HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") and Bowsprit Capital Corporation Limited (the "Manager"). First REIT is established to invest in real estate and real estate-related assets and the Manager must manage First REIT so that the principal investments of First REIT are real estate and real estate-related assets (including ownership of companies or other legal entities whose primary purpose is to hold or own real estate and real-estate-related assets).

Its initial property portfolio comprises the following four properties ("Properties"):

(a) Siloam Hospitals Lippo Karawaci;

(b) Siloam Hospitals, West Jakarta;

(c) Siloam Hospitals, Surabaya; and

(d) Imperial Aryaduta Hotel & Country Club

PT Lippo Karawaci Tbk ("the Sponsor") injected the above properties into First REIT. The Properties are held by the four Indonesian subsidiaries.

The subsidiaries held by the Group are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and auditors)	Cost in books of First REIT / Subsidiary	Effective percentage of equity held by Group
	S$'000	
Held by First REIT		
Got Pte Ltd* Singapore Investment holding	94,282[(1)]	100%
Henley Investments Pte Ltd* Singapore Investment holding	50,642[(1)]	100%
Lovage International Pte Ltd* Singapore Investment holding	21,184[(1)]	100%
Primerich Investment Pte Ltd* Singapore Investment holding	16,764[(1)]	100%

Note:

(1) Includes the investment in the ordinary shares and redeemable preference shares in each subsidiary.

* As at Listing Date, the auditors are RSM Chio Lim.

Name of subsidiaries, country of incorporation, place of operations and principal activities (and auditors)	Cost in books of First REIT / Subsidiary	Effective percentage of equity held by Group
	S$'000	
Held by Singapore subsidiaries		
PT Graha Indah Pratama, Indonesia+ Owners of Siloam Hospitals, West Jakarta	10,333	100%
PT Karya Sentra Sejahtera, Indonesia + Owners of Imperial Aryaduta Hotel & Country Club	20,019	100%
PT Sentra Dinamika Perkasa, Indonesia+ Owners of Siloam Hospitals Lippo Karawaci	8,779	100%
PT Tata Prima Indah, Indonesia + Owners of Siloam Hospitals, Surabaya	8,013	100%

\+ As at Listing Date, the auditors are Aryanto Amir Jusuf & Mawar (RSM AAJ Associates), a member of RSM International of which RSM Chio Lim is a member.

All the above subsidiaries (acquired from the Sponsor) were inactive before the date of the acquisition of the Properties mentioned above.

(B) PRO FORMA HISTORICAL FINANCIAL INFORMATION

The pro forma consolidated statements of total return, consolidated cash flow statement and consolidated balance sheet have not been prepared to show the pro forma historical financial performance and position of First REIT ("Pro Forma Historical Financial Statements") because all of the initial properties in First REIT's portfolio, comprising three hospitals and one hotel located in Indonesia (the "Properties"), will be acquired by way of sale and leaseback transactions with the Sponsor at or about the Listing Date. After acquiring the Properties from the Sponsor, First REIT will lease each of them back to the Sponsor (the "Master Lessee"), which is also the existing operator of the Properties, under master lease agreements that provide for rental payments that comprise a base rent and a variable rent which is payable after the first year of the lease. The term of each of these master lease agreements is for fifteen years, with option for renewal for another fifteen years.

If the Pro Forma Historical Financial Statements are to be provided, they will similarly be calculated based on the same rentals and other terms which are used to calculate the profit forecast for the period from 1 October 2006 to 31 December 2006 ("Profit Forecast") and the profit projection for the financial year ending 31 December 2007 ("Profit Projection") as set out on pages 63 to 71 of the Prospectus. The result is a set of Pro Forma Historical Financial Statements which appears to be similar to the Profit Forecast and Profit Projection, and which will not provide to a potential investor any additional information which is not already in the Profit Forecast and Profit Projection.

For the reasons set out above, the Singapore Exchange Securities Trading Limited has granted First REIT a waiver from the requirement to prepare Pro Forma Historical Financial Statements. In lieu of such financial information, a Pro Forma Consolidated Balance Sheet of First REIT, upon completion of the Offering and the acquisition of the Properties, has been prepared by the Manager as set out in Section D below.

(C) BASES OF PREPARATION OF PRO FORMA CONSOLIDATED BALANCE SHEET AS AT DATE OF LISTING

The Pro Forma Consolidated Balance Sheet is prepared for illustrative purposes only and based on certain assumptions after making certain adjustments.

The Pro Forma Consolidated Balance Sheet is prepared based on the balance sheet of the Group as at Listing Date, and incorporating adjustments necessary to reflect the financial position of First REIT as if it had acquired the Properties on the Listing Date, pursuant to the terms set out in the Prospectus.

FIRST REAL ESTATE INVESTMENT TRUST
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS AT LISTING DATE

The Pro Forma Consolidated Balance Sheet has been prepared on the basis of the accounting policies set out in Section E.

The objective of the Pro Forma Consolidated Balance Sheet of First REIT is to show what the financial position might have been at the Listing Date, on the basis as described above. However, the Pro Forma Consolidated Balance Sheet is not necessarily indicative of the financial position that would have been actually attained by First REIT on the Listing Date. The Pro Forma Consolidated Balance Sheet, because of its nature, may not give a true picture of First REIT's financial position.

The Pro Forma Consolidated Balance Sheet has been prepared after incorporating the following key adjustments:

- Adjustments to reflect the acquisition of the Properties and the related assets and liabilities (namely cash and cash equivalents, trade and other receivables, trade and other payables) attributable to such Properties, on the Listing Date;
- Adjustment to state the initial acquisition of the Properties at a total valuation of S$257,000,000 and the deferred tax attributable to the revaluation of the Properties of approximately S$22,238,000. The valuation is based on an independent valuation carried out by Knight Frank / PT. Willson Properti Advisindo as at 30 June 2006; and
- Adjustment to reflect First REIT's issuance of 271,400,000 units at S$0.71 per unit, comprising 140,400,000 units under the Offering together with 56,000,000 units to Cornerstone Investors for cash of approximately S$139,444,000 and 75,000,000 units to the Sponsor (assuming the over-allotment option is not exercised) for part settlement of the acquisition of the Properties;

In addition, the following assumptions were made:

- The valuations of the Properties adopted at the Listing Date remain unchanged from those as at 30 June 2006 based on the independent valuation reports by Knight Frank / PT. Willson Properti Advisindo.
- The issue price of the units under Offering is S$0.71.
- The total acquisition cost of the Properties is S$182,872,000.

(D) PRO FORMA CONSOLIDATED BALANCE SHEET AS AT LISTING DATE

The Pro Forma Consolidated Balance Sheet as at Listing Date has been prepared for inclusion in the Prospectus and is presented below. The assumptions used to prepare the Pro Forma Consolidated Balance Sheet are consistent with those described in Bases of Preparation of the Pro Forma Consolidated Balance Sheet in Section C.

	Note	As at Listing Date
		S$'000
ASSETS		
Current assets		
Cash and cash equivalents	**E3**	5,436
Prepaid tax		604
Total current assets		6,040
Non-current assets		
Investment properties	**E4**	257,000
Total assets		263,040
LIABILITIES		
Current liabilities		
Trade and other payables	**E5**	6,040
Non-current liabilities		
Deferred tax	**E6**	22,238
Total liabilities		28,278
Unitholders funds		
Net assets attributable to unitholders	**E7**	234,762
Total liabilities and unitholders funds		263,040

See accompanying notes to the Pro Forma Consolidated Balance Sheet.

(E) NOTES TO THE PRO FORMA CONSOLIDATED BALANCE SHEET

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted for the current and future financial statements for the measurement and disclosure of similar items.

ACCOUNTING CONVENTION—

The financial statements are prepared under the historical cost convention, modified to include the revaluation of financial assets and financial liabilities and investment properties as disclosed where appropriate in these financial statements.

BASIS OF PRESENTATION—

The Pro Forma Consolidated Balance Sheet is prepared in accordance with the bases set out in Section C and applied to financial information prepared in accordance with the Statement of Recommended Accounting Practice (“RAP”) 7 “Reporting Framework for Unit Trusts” issued by the Institute of Certified Public Accountants of Singapore, Singapore Financial Reporting Standards (“SFRS”) and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

The consolidation accounting method is used for the consolidated financial statements which include the financial statements made up to the balance sheet date of the Trust and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights (its subsidiaries including special purpose entities). The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The results of the investees acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

BASIS OF PREPARATION—

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

BUSINESS COMBINATIONS—

Where applicable, business combinations will be accounted for by applying the purchase method. The cost of a business combination under purchase method includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost is accounted for as “negative goodwill”. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

An impairment loss in respect of goodwill is not reversed. For negative goodwill a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in the income statement. For negative goodwill a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

CASH AND CASH EQUIVALENT—

Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less.

TRADE RECEIVABLES—

After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision for impairment. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair value. The amount of the provision is recognised in the income statement. Normally no interest is charged on trade receivables.

LOANS AND OTHER RECEIVABLES—

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held for trading, not designated as available for sale and are not substantially recoverable other than because of credit deterioration which are classified as available for sale. Items with a short duration are not discounted. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loan receivables and trade and other receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date.

INVESTMENT PROPERTIES—

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. After initial recognition at cost including transaction costs the fair value model is used to measure the investment property at fair value on the existing use basis to reflect the actual market state and circumstances as of the balance sheet date, not as of either a past or future date. A gain or loss arising from a change in the fair value of investment property is included in the income statement for the period in which it arises. No depreciation charge is made for the yearly income statement. The revaluations are made periodically on a systematic basis at least once yearly by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

IMPAIRMENT OF FINANCIAL ASSETS—

All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

FINANCIAL LIABILITIES—

Financial liabilities including bank and other borrowings when recognised initially are measured at fair value plus, in the case of items not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition these are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LIABILITIES AND PROVISIONS—

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

LIABILITIES AND EQUITY FINANCIAL INSTRUMENTS—

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Where the financial instrument does not give rise to a contractual obligation on the part of the entity to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Redeemable preference shares are classified as a financial liability. The equity and the liability elements of compound instruments are classified separately as equity and as a liability. Equity instruments are recorded at the proceeds, net of direct issue costs. Distribution to Unitholders are recognised in the Unitholders' Fund in the year they are declared.

FAIR VALUE OF FINANCIAL INSTRUMENTS—

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of long-term debts are not disclosed unless there are significant items at the end of the year and are disclosed in the relevant notes.

FOREIGN CURRENCY TRANSACTIONS—

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the Trust operates. Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement.

FOREIGN CURRENCY FINANCIAL STATEMENTS—

The foreign entities determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the consolidated financial statements the assets and liabilities denominated in currencies other than the functional currency of the Trust are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

REVENUE—

Rental income from operating leases

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset.

Interest income

Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset.

INCOME TAX—

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from (a) goodwill for which amortisation is not deductible for tax purposes; or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future. Taxes relating to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' Funds.

The taxation of First REIT and its subsidiaries are described below:

First REIT

Dividends from Singapore subsidiaries

Dividends from the Singapore subsidiaries are one-tier (tax exempt) dividends, provided that the Singapore subsidiaries are tax resident in Singapore for Singapore income tax purposes.

Gains on Sale of Shares

Singapore does not impose tax on capital gains. Gains derived by First REIT from the disposal of shares in the Singapore subsidiaries shall not be liable to Singapore income tax unless the gains are considered income of a trade or business. Such gains may also be taxed if the shares are acquired with the intent or purpose of making a profit from their subsequent sale and not for long-term investment purposes.

Singapore Subsidiaries

Dividends from Indonesian Subsidiaries

Provided the Singapore subsidiaries are tax resident in Singapore for Singapore income tax purposes, the dividends they receive in Singapore from the respective Indonesian subsidiaries will be exempt from Singapore income tax under Section 13(8) of the Income Tax Act. This exemption applies if the following conditions are met:

(a) in the year the dividends are received in Singapore, the headline corporate tax rate in Indonesia is at least 15.0%;

(b) the dividends have been subject to tax in Indonesia; and

(c) the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore subsidiaries.

Interest Income from Indonesian subsidiaries

Singapore subsidiaries will be exempt from Singapore income tax under Section 13(12) of the Income Tax Act on the interest income received from the respective Indonesian subsidiaries. The tax exemption under Section 13(12) is granted on the condition that the full amount of remitted interest, less attributable expenses, must be distributed to First REIT for onward distribution to its unitholders.

Indonesian Subsidiaries

Corporate Income Tax

Article 3 of Government Regulation No. 5 /2002 on the payment of income tax on income from the lease of land and/or building stipulates that income tax on income received or acquired by individuals or entities from the leasing of land and/or buildings consisting of land, houses, multi-story houses, apartments, condominiums, office buildings, office-cum-living space, shops, shop cum house, warehouse, and industrial space which is received or earned from a tenant acting or appointed as a Tax Withholder, is to be withheld by the tenant. The tax rate is ten percent (10%) of the gross value of the land and/or building rental and is final in nature.

Withholding Tax

The tax treaty between Singapore and Indonesia stipulates that the four Indonesian subsidiaries must withhold income tax on dividend and interest payments with the rate of ten percent (10%).

SEGMENT REPORTING—

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

There were no critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

GENERAL RISK MANAGEMENT PRINCIPLES—The entity's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS—Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. The management believes that the financial risks associated with these financial instruments are minimal. The cash and cash equivalents and other liquid financial assets are placed with high credit quality institutions. An ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is significant concentration of credit risk, as the exposure is limited mainly to one counterparty.

OTHER RISKS ON FINANCIAL INSTRUMENTS—The main risks arising from the entity's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations will be financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating interest rates. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps may be used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards to liquidity, the policy has to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years or longer. Short-term flexibility is achieved by overdraft facilities. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the financial statements. The policy is to reduce currency exposures through forward currency contracts or other arrangements. From time to time, there may be borrowings and foreign exchange arrangements or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the liabilities. These arrangements are not used for trading or speculative purposes.

2. RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes the Sponsor, the Manager, parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

2.1 *Related parties:*

Transactions with related parties mainly consists of trade receivables, intercompany advances and charges, placement in current accounts, investments and loans. The related party transactions are made on terms equivalent to those that prevail in arm's length transactions unless otherwise disclosed. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the cost of borrowing less the interest rate if any provided in the agreement for the balance.

Intragroup transactions and balances that have been eliminated in the Pro Forma Consolidated Balance Sheet are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the Pro Forma Consolidated Balance Sheet, the Sponsor injected the Properties into First REIT. The properties are held by the four Indonesian subsidiaries. All the Properties are let out to the Sponsor. The initial direct cost is borne by the Sponsor.

3. CASH AND CASH EQUIVALENTS

These are balances with banks. None of them are restricted in use.

4. INVESTMENT PROPERTIES

	As at Listing Date
	S$'000
At valuation:	
Additions at cost	182,872
Revaluation increase included in the statement of total return	74,128
Fair value at Listing Date	257,000

Details of the properties are as follows:

Description of Property / address / existing use	At valuation as at Listing Date
	S$'000
Siloam Hospitals Lippo Karawaci / Jalan Siloam No. 6 Lippo Karawaci, Tangerang, Banten, Indonesia / Hospital	132,500
Siloam Hospitals, West Jakarta / Jalan Raya Perjuangan Kav. 8, Kebon Jeruk, West Jakarta, Indonesia / Hospital	71,170
Siloam Hospitals, Surabaya / Jalan Raya Gubeng No. 70, Gubeng Surabaya, East Java, Indonesia / Hospital	23,560
Imperial Aryaduta Hotel & Country Club / 401 Bulevar Jenderal Sudirman, Lippo Karawaci, Tangerang, Banten, Indonesia / Hotel and country club	29,770
Investment properties, at valuation	257,000

All the Properties are in Indonesia. The investment properties above include the mechanical and electrical equipment located in the respective Properties.

The initial direct cost is borne by the Sponsor.

Other details on the Properties are disclosed in the Prospectus. Please also refer to the revaluation selected by the Manager as disclosed in the Prospectus.

The carrying amounts of the investment properties as at Listing Date are based on an independent valuation undertaken by Knight Frank/ PT. Willson Properti Advisindo on 30 June 2006. The valuations were based on the Income Method of Valuation utilising a Discounted Cashflow Analysis and cross checked with Income Capitalisation Method. The exchange rate used in these valuations is S$1 = Rp 5,623.5.

The type title of the properties is Hak Guna Bangunan ("HGB"). This title gives the right to construct and own buildings on a plot of land. The right is transferable and may be encumbered. Technically, HGB is a leasehold title with the State retaining "ownership". But for practical purposes, there is only little difference from a freehold title. HGB title is granted for an initial period of up to 30 years and is extendable for a subsequent 20-year period and another 30-year period. Upon the expiration of such extensions, new HGB title may be granted on the same land. The cost of extension is determined based on certain formula as stipulated by the National Land Office (Badan Pertanahan Nasional). The commencement date of each title varies.

The above properties are leased to a related party who is also the Sponsor. The Sponsor has provided bank guarantees in lieu of the security deposits of S$12.1 million for rental income from these properties.

5. TRADE AND OTHER PAYABLES

	As at Listing Date
	S$'000
Rental received in advance (Note E2.1)	6,040
	6,040

6. DEFERRED TAX

Deferred tax relates to the tax on the revaluation surplus on the Properties in accordance with the accounting policies adopted by the Trust.

7. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	As at Listing Date
	S$'000
Unitholders' contribution	
From creation of units	192,694
Unit issue costs (see note E9)	(9,822)
Net contribution	182,872
Surplus on revaluation of investment properties, net of deferred tax	51,890
Total increase in net assets attributable to unitholders	234,762
Units in issue ('000)	271,400
Net assets attributable to unitholders per unit (S$)	0.87

8. UNITS IN ISSUE

	As at Listing Date
	'000
Creation of new units arising from:	
—the Sponsor Units (subject to the over-allotment option)	75,000
—the Cornerstone Units	56,000
—the Offering	140,400
	271,400

The Sponsor Units will vary as explained in the Prospectus.

Each unit in First REIT represents an undivided interest in First REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- receive income and other distributions attributable to the Units held;
- receive audited financial statements and the annual report of First REIT; and
- participate in the termination of First REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of First REIT less any liabilities, in accordance with their proportionate interests in First REIT.

No Unitholder has a right to require that any assets of First REIT be transferred to him.

Further, Unitholders cannot give directions to the Trustee or the Manager (whether at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- First REIT ceasing to comply with applicable laws and regulations; or
- The exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

The Trust Deed contains provisions that are designed to limit the liability of a Unitholder to the amount paid or payable for any Unit. The provisions seek to ensure that if the Issue Price of the Units held by a Unitholder has been fully paid, no such Unitholder , by reason alone of being a Unitholder, will be personally liable to indemnify the Trustee or any creditor of First REIT in the event that the liabilities of First REIT exceeds its assets.

Under the Trust Deed, every Unit carries the same voting rights.

9. UNIT ISSUE COSTS

	As at Listing Date S$'000
Unit issue costs comprise the following:	
Professional and other fees	2,610
Underwriting, selling and management commission	6,071
Miscellaneous issue expenses	1,141
	9,822

10. OPERATING LEASE INCOME COMMITMENTS

	As at Listing Date S$'000
Not later than one year	24,156
Later than one year and not later than five years	96,624
Later than five years	241,560

The term of each Master Lease Agreement is for 15 years with an option for the Master Lessee to obtain an additional lease for a further term of 15 years on the same terms and conditions save for the rent for the further term and excluding any further option to renew. The rent for the further term shall be at the then prevailing market rent, as may be agreed by the relevant Indonesian subsidiary and the Master Lessee. If there is no agreement by the relevant Indonesian subsidiary and the Master Lessee on such prevailing market rent, the rent for the further term will be based on the rent applicable to the 15th year of the term adjusted upwards taking into account the aggregated percentage increase of the consumer price index of Singapore for the 12 months comprised in the 15th year of the term.

The Master Lessee is required to pay rent on a quarterly basis in advance, which rent shall comprise:

(a) an annual base rent of :

- S$11.7 million per year in respect of Siloam Hospitals Lippo Karawaci
- S$6.6 million per year in respect of Siloam Hospitals, West Jakarta
- S$2.6 million per year in respect of Siloam Hospitals, Surabaya
- S$3.2 million per year in respect of Imperial Aryaduta Hotel & Country Club

for the first year of each lease. These Singapore dollar amounts are converted from Indonesian Rupiah at an exchange rate of S$1 = Rp 5,623.50.

The base rent is subject to increase every year thereafter at a rate equal to two times the percentage increase of the consumer price index of Singapore for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%; and

(b) a variable rent which is calculated based on a percentage of the growth of the gross revenue of the Master Lessee's healthcare and hospitality businesses carried out at the Properties ("Master Lessee Gross Revenue") in the preceding calendar year. No variable rent is payable in the first year of the lease.

The variable rent is computed as follows:

(i) where the Master Lessee Gross Revenue for the Preceding Calendar Year exceeds the Master Lessee Gross Revenue of the calendar year ("Further Preceding Calendar Year") preceding the Preceding Calendar Year by more than 5.0% but less than 15.0%, the variable rent shall be the amount which is 0.75% of the Master Lessee Gross Revenue of the Preceding Calendar Year;

(ii) where the Master Lessee Gross Revenue for the Preceding Calendar Year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by 15.0% or more but less than 30.0%, the variable rent shall be the amount which is 1.25% of the Master Lessee Gross Revenue of the Preceding Calendar Year; and

(iii) where the Master Lessee Gross Revenue for the Preceding Calendar Year exceeds the Master Lessee Gross Revenue of the Further Preceding Calendar Year by 30.0% or more, the variable rent shall be the amount which is 2.0% of the Master Lessee Gross Revenue of the Preceding Calendar Year.

For the avoidance of doubt, where the Master Lessee Gross Revenue for the Preceding Calendar Year does not exceed the Master Lessee Gross Revenue of the Further Preceding Calendar Year by more than 5.0%, no variable rent is payable.

The rent will be paid in Singapore Dollars at a fixed rate of S$1.00 to Rp 5,623.50. This formula shall be fixed for the entire duration of the lease term.

Such increases are not included in the above amounts disclosed. It does not include the fees payable to the authorities and related cost for the renewal of the Properties.

11. SEGMENT REPORTING

Primary segment information of the Group are presented based on the business segment. Business segment is a distinguishable component and results in different products or services based on different industry or a product group or service, especially for customers outside the Group.

The geographical segment represents the Group's distinguishable components which provide products or services within a particular economic environment (location) and this component contains risks and returns that are different from those components which operate in other economic environments (locations).

(a) Business Segment

Segment information about these businesses is presented below:

	Healthcare	Hotel	Total
	S$'000	S$'000	S$'000
At Listing Date			
Assets and liabilities			
Segment assets including properties	232,488	30,552	263,040
Total assets			263,040
Segment liabilities	5,258	782	6,040
Total liabilities			28,278

(b) Geographical Segment

As the Group operates predominantly in one geographical segment, Indonesia, no other segment information by geographical segment is presented.

12. MANAGER'S MANAGEMENT FEE AND TRUSTEE FEE

(a) Manager's Management Fee

Under the Trust Deed, the Manager is entitled to Management Fee comprising the Base Fee and the Performance Fee as follows:

- a Base Fee at the rate of 0.4% per annum of the value of the Deposited Property; and
- a Performance Fee equal to a rate of 5.0% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Net Property Income of the Trust or the subsidiaries for each financial year (calculated before accounting for this additional fee in that financial year).

(b) Trustee's Fee

Under the Trust Deed, the Trustee's fee is subject to a maximum of 0.1% per annum of the value of the Deposited Property, excluding out of pocket expenses and GST. The Trustee's fee is presently 0.03% per annum of the value of the Deposited Property, subject to a minimum sum per month. Such minimum sum does not exceed S$10,000 per month during the first three years after the Listing Date and is fixed at S$10,000 per month thereafter. The Trustee's fee (including the minimum amount of such fee) will be subject to review three years after the Listing Date. In addition, a one-time inception fee of S$25,000 is payable.

13. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following SFRS that have been issued will be effective in future. The transfer to the new standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

SFRS 106 Exploration for and Evaluation of Mineral Resources (*)
SFRS 107 Financial Instruments: Disclosures
INT SFRS 104—Determining whether an Arrangement contains a Lease
INT SFRS 105—Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
INT SFRS 106—Liabilities Arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (*)
INT SFRS 107—Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
Amendments to SFRS 1 Presentation of Financial Statements on Capital Disclosures
Amendments to SFRS 21 Net Investment in a Foreign Operation
Amendments to SFRS 39 Financial Instruments: Recognition and Measurement on hedge accounting provision, fair value option and financial guarantee contracts (*)
Amendments to SFRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for SFRS 106 Exploration for and Evaluation of Mineral Resources (*)
Amendments to SFRS 104 Insurance Contracts on financial guarantee contracts (*)

(*) Not applicable to First REIT.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT ACCOUNTANTS' REPORT ON THE PROFIT FORECAST AND PROFIT PROJECTION

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay, #14-01 HSBC Building
Singapore 049320

Dear Sirs

LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2006 AND THE PROFIT PROJECTION FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2007

This letter has been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We have examined the Profit Forecast of First REIT for the financial year ending 31 December 2006 and the Profit Projection for the financial year ending 31 December 2007 as set out on pages 64 to 71 of the Prospectus in accordance with Singapore Standards on Assurance Engagements applicable to the examination of prospective financial information.

The directors of Bowsprit Capital Corporation Limited (the "Directors") are responsible for the preparation and presentation of the forecast and projected Consolidated Statements of Total Return for the financial year ending 31 December 2006 (the "Profit Forecast") and the financial year ending 31 December 2007 (the "Profit Projection") in each case with respect to First REIT as set out on pages 64 and 65 of the Prospectus, including their assumptions as set out on pages 65 to 71 of the Prospectus.

Profit Forecast

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Forecast. Further, in our opinion the Profit Forecast, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out on pages A-7 to A-12 of Appendix A of the Prospectus, and is presented in accordance with the applicable presentation principles of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts*" (but not all the required disclosures for the purpose of this letter) issued by the Institute of Certified Public Accountants of Singapore which is the framework adopted by First REIT in the preparation of its financial statements.

Profit Projection

The Profit Projection has been prepared to show a possible outcome based on the stated assumptions. As First REIT is newly established without any history of activities and because the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the assumptions used in the Profit Projection (which include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur) are more subjective than would be appropriate for a profit forecast. The Profit Projection does not therefore constitute a profit forecast.

Based on our examination of the evidence supporting the relevant assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection. Further, in our opinion the Profit Projection, so far as the accounting policies and calculations are concerned, is properly prepared on the basis of the assumptions, is consistent with the accounting policies set out on pages A-7 to A-12 of Appendix A of the Prospectus, and is presented in accordance with the applicable presentation principles of Recommended Accounting Practice 7 "*Reporting Framework for Unit Trusts*" (but not all the required disclosures for the purposes of this letter) issued by the Institute of Certified Public Accountants of Singapore which is the framework adopted by First REIT in the preparation of its financial statements.

Events and circumstances frequently do not occur as expected. Even if the events anticipated under the hypothetical assumptions occur, actual results are still likely to be different from the Profit Forecast and Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material. The actual results may therefore differ materially from those forecast and projected. For the reasons set out above, we do not express any opinion as to the possibility of achievement of the Profit Forecast and Profit Projection.

Attention is drawn, in particular to the risk factors set out on pages 34 to 49 of the Prospectus which describe the principal risks associated with the Offering, to which the Profit Forecast and Profit Projection relate and sensitivity analysis of the Directors' Profit Forecast and Profit Projection set out on page 71 of the Prospectus.

Yours faithfully

RSM Chio Lim
Certified Public Accountants
Singapore

Partner in charge: Kaka Singh
A member of the Institute of Certified Public Accountants of Singapore

INDEPENDENT ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay, #14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

This report has been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We report on the Pro Forma Combined Financial Information of the Carved Out Segment of PT Lippo Karawaci Tbk ("Pro Forma Combined Financial Information"). This Carved Out Segment comprises the combined financial information of Siloam Hospitals Lippo Karawaci; Siloam Hospitals, West Jakarta; Siloam Hospitals, Surabaya; and Imperial Aryaduta Hotel & Country Club. The Pro Forma Combined Financial Information have been prepared for illustrative purposes only and based on certain assumptions and after making certain adjustments to show what:-

(i) the financial results of the Carved Out Segment for the year ended 31 December 2005 would have been if the Carved Out Segment as of date of lodgement of the Prospectus had been in existence since 1 January 2005;

(ii) the financial position of the Carved Out Segment as of the date of the balance sheet as at 31 December 2005 would have been if the Carved Out Segment as of date of lodgement of Prospectus had been in existence on that date;

(iii) the cash flow and changes in equity of the Carved Out Segment would have been if the Carved Out Segment had been in existence since 1 January 2005.

The objective of the Pro Forma Combined Financial Information is to show what the financial results, cash flows and financial position might have been had the Carved Out Segment existed at an earlier date. However, the Pro Forma Combined Financial Information is not necessarily indicative of the results and cash flows of the operation or the financial position that would have been attained had the Carved Out Segment actually existed earlier. The Pro Forma Combined Financial Information, because of their nature, may not give a true picture of the actual financial position, results, cash flow and changes in equity of the Carved Out Segment.

The Pro Forma Combined Financial Information is the responsibility of the directors and managements of First REIT and PT Lippo Karawaci Tbk. Our responsibility is to express an opinion on the Pro Forma Combined Financial Information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

(i) comparing the Pro Forma Combined Financial Information to the audited financial statements of PT Lippo Karawaci Tbk for the year ended 31 December 2005.

(ii) considering the evidence supporting the pro forma adjustments and discussing the Pro Forma Combined Financial Information with the management and directors.

In our opinion:

(a) the Pro Forma Combined Financial Information has been properly prepared from the audited financial statements of PT Lippo Karawaci Tbk for the year ended 31 December 2005 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as set out on pages C-3 to C-23 of Appendix C of the Prospectus;

(b) the Pro Forma Combined Financial Information has been properly prepared in a manner consistent with both the format of the audited financial statements and the accounting policies of PT Lippo Karawaci Tbk for the year ended 31 December 2005;

(c) each material adjustment to the information used in the computation of a financial effect relating to the Pro Forma Combined Financial Information is appropriate for the purpose of preparing such Pro Forma Combined Financial Information; and

(d) the Pro Forma Combined Financial Information has been properly prepared on the basis of the assumptions set out on Section B below.

Yours faithfully

Aryanto Amir Jusuf & Mawar
(RSM AAJ Associates)
Certified Public Accountants
Indonesia
Partner in charge: Dedy Sukrisnadi, BAP
License Number: 03.1.0882

RSM Chio Lim
Certified Public Accountants
Singapore
Partner in charge: Kaka Singh
A member of the Institute of Certified Public Accountants of Singapore

PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

A. INTRODUCTION

First REIT is a Singapore-based real estate investment trust constituted by a trust deed entered into between HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") and Bowsprit Capital Corporation Limited (the "Manager"). First REIT is established to invest in real estate and real estate-related assets and the Manager must manage First REIT so that the principal investments of First REIT are real estate and real estate-related assets (including ownership of companies or other legal entities whose primary purpose is to hold or own real estate related assets).

First REIT was established through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate properties. Its initial property portfolio comprises the following four properties ("Properties"):

(a) Siloam Hospitals Lippo Karawaci;

(b) Siloam Hospitals, West Jakarta;

(c) Siloam Hospitals, Surabaya; and

(d) Imperial Aryaduta Hotel & Country Club.

The Sponsor, PT Lippo Karawaci Tbk, injected the above properties into First REIT. The Carved Out Segment is part of the segment that operates the healthcare and hospitals and hotel segments of the Sponsor. The Carved Out Segment will continue to operate after the sale of the Properties.

B. BASES FOR THE PREPARATION AND PRESENTATION OF THE PRO FORMA COMBINED FINANCIAL INFORMATION FOR THE CARVED OUT SEGMENT OF THE SPONSOR AND ASSUMPTIONS

The Pro Forma Combined Financial Information of the Carved Out Segment of the Sponsor for the year ended 31 December 2005 (the "Pro Forma Combined Financial Information") comprises the combined financial information of Siloam Hospitals Lippo Karawaci; Siloam Hospitals, West Jakarta; Siloam Hospitals, Surabaya; and Imperial Aryaduta Hotel & Country Club. The Pro Forma Combined Financial Information as set out on pages C-5 to C-23 of Appendix C of the Prospectus have been prepared for illustrative purposes only and are based on certain assumptions after making certain adjustments to show what:

(i) the financial results of the Carved Out Segment for the year ended 31 December 2005 would have been if the Carved Out Segment as of date of lodgement of the Prospectus had been in existence since 1 January 2005;

(ii) the financial position of the Carved Out Segment as of the date of the balance sheet as at 31 December 2005 would have been if the Carved Out Segment as of date of lodgement of Prospectus had been in existence on that date;

(iii) the cash flow and changes in equity of the Carved Out Segment would have been if the Carved Out Segment had been in existence since 1 January 2005.

The objective of the Pro Forma Combined Financial Information is to show what the financial results, cash flows and financial position might have been had the Carved Out Segment existed at an earlier date. However, the Pro Forma Combined Financial Information is not necessarily indicative of the results and cash flows of the operation or the financial position that would have been attained had the Carved Out Segment actually existed earlier. The Pro Forma Combined Financial Information, because of their nature, may not give a true picture of the actual financial position, results, cash flow and changes in equity of the Carved Out Segment.

The Pro Forma Combined Financial Information was prepared based on the audited financial statements of the Sponsor for the year ended 31 December 2005 which are prepared in accordance with the International Financial Reporting Standards. In addition, consistent with the basis of the preparation

of segmental information in the audited financial statements of the Sponsor for the year ended 31 December 2005, the Pro Forma Combined Financial Information has been prepared on the assumptions and bases for which the respective business operating units in the Carved Out Segment account for the common costs of the Sponsor, namely, on the basis of internal financial reporting purposes. Accordingly, a revenue, expense, asset, or liability may have been allocated to segments for internal financial reporting purposes on a basis that is understood by management but that could be deemed subjective by external users of financial statements. The Sponsor has chosen not to allocate some common cost and expenses for internal financial reporting purposes. As at 31 December 2005, for the purpose of presentation, these costs totalling Rp 43,634 million (S$ 7.5 million) were recorded in the housing and land development business segment of the audited financial statements of the Sponsor for the year ended 31 December 2005.

In preparing the Pro Forma Combined Financial Information, no adjustment is made relating to future events or decisions. In this regard, any impact or effects arising from the sale and lease back of the Properties by the Sponsor are not adjusted in this Pro Forma Combined Financial Information because they are post balance sheet events apart from the reclassification of the assets held for sale in the balance sheet.

PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

C. PRO FORMA COMBINED BALANCE SHEET

As at 31 December 2005

	Note	Rp million	S$'000
ASSETS			
Current assets:			
Cash and cash equivalents	G3	11,209	1,898
Trade and other receivables	G4	34,843	5,898
Inventories	G5	14,860	2,516
Assets held for sale	G6	345,936	58,564
Total current assets		406,848	68,876
Non-current assets:			
Property, plant and equipment	G7	146,023	24,720
Other assets	G8	335	57
Deferred tax assets	G10	6,242	1,057
Total non-current assets		152,600	25,834
Total assets		559,448	94,710
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	G9	281,677	47,686
Borrowings	G11	23,029	3,899
Total current liabilities		304,706	51,585
Non-current liabilities:			
Retirement benefit obligations	G12	19,548	3,309
Total non-current liabilities		19,548	3,309
Total liabilities		324,254	54,894
Total equity		235,194	39,816
Total liabilities and equity		559,448	94,710

See accompanying notes to the Pro Forma Combined Financial Information

D. PRO FORMA COMBINED INCOME STATEMENT

Year ended 31 December 2005

	Note	Rp million	S$'000
Revenue	G13	496,113	85,053
Cost of sales		(355,351)	(60,921)
Gross profit		140,762	24,132
Finance income	G14	1,288	221
Finance expense	G15	(2,571)	(441)
General and administrative expenses		(44,091)	(7,559)
Other credits/(charges)	G16	858	147
Profit before tax		96,246	16,500
Income tax expense	G10	(29,035)	(4,978)
Profit for the year		67,211	11,522

See accompanying notes to the Pro Forma Combined Financial Information

PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

E. PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2005

	Rp million	S$'000
Balance as at 31 December 2004	167,983	29,548
Exchange translation differences	—	(1,254)
Profit for the year	67,211	11,522
Balance as at 31 December 2005	235,194	39,816

See accompanying notes to the Pro Forma Combined Financial Information

F. PRO FORMA COMBINED CASH FLOW STATEMENT

Year ended 31 December 2005

	Rp million	S$'000
Cash flow from operating activities:		
Collection from customers	486,028	83,324
Payment to suppliers and employees	(342,309)	(58,685)
Interest paid	(2,392)	(410)
Interest received	166	28
Income tax paid	(1,876)	(322)
Net cash flow from operating activities	139, 617	23,935
Cash flow from investing activities:		
Proceeds from disposal of property, plant and equipment	234	40
Purchase of property, plant and equipment	(44,314)	(7,597)
Net cash flow used in investing activities	(44,080)	(7,557)
Cash flow from financing activities:		
Payment of obligation under finance lease	(72)	(12)
Payment of related parties balances (Notes G2 and G9)	(102,903)	(17,641)
Net cash flow used in financing activities	(102,975)	(17,653)
Net decrease in cash and cash equivalents	(7,438)	(1,275)
Cash and cash equivalents at the beginning of the year	18,647	3,280
Exchange rate difference on cash and cash equivalents	—	(107)
Cash and cash equivalents at the end of the year (Note G3)	11,209	1,898

See accompanying notes to the Pro Forma Combined Financial Information

G. NOTES TO THE PRO FORMA COMBINED FINANCIAL INFORMATION

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION—

The Pro Forma Combined Financial Information are prepared under the historical cost convention, modified to include the revaluation of financial assets and financial liabilities as disclosed where appropriate in this Pro Forma Combined Financial Information.

BASIS FOR PRESENTATION—

The basis of presentation and preparation of this Pro Forma Combined Financial Information is in accordance with the bases set out in section B of this report.

BASIS OF PREPARATION—

The preparation of financial information in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial information , are disclosed at the end of this footnote, where applicable.

CASH AND CASH EQUIVALENTS—

Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction.

TRADE RECEIVABLES—

After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair value. The amount of the provision is recognised in the income statement. Normally no interest is charged on trade receivables.

LOANS AND OTHER RECEIVABLES—

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held for trading, not designated as available for sale and are not substantially recoverable other than because of credit deterioration which are classified as available for sale. Items with a short duration are not discounted. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loan receivables and trade and other receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date.

INVENTORIES—

Consumable inventories are measured at the lower of cost (weighted average method for inventories of healthcare business and first in first out method for inventories of hotel business) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined.

PROPERTY, PLANT AND EQUIPMENT—

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of property, plant and equipment. The useful lives of the assets are as follows:

Building, infrastructure and renovations	-	5 to 40 years
Transportation equipment and vehicles	-	5 years
Furniture, fixtures and office equipment	-	3 to 5 years
Machinery and equipment	-	5 to 10 years
Tools and medical equipment	-	3 to 10 years
Freehold land and construction in progress	-	Depreciation is not provided

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial information.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a Carved Out Segment incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Construction in progress represents expenditure incurred directly on the infrastructure development and assets preparation. Expenditure include borrowing cost of loan used for developing assets during the construction period. Construction in progress will be transferred to the appropriate property, plant and equipment account when the construction is completed and ready for its intended use.

IMPAIRMENT OF NON-FINANCIAL ASSETS—

At each reporting date an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IMPAIRMENT OF FINANCIAL ASSETS—

All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

ASSETS CLASSIFIED AS HELD FOR SALE—

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. The depreciation on depreciable assets is ceased from date of reclassification.

FINANCIAL LIABILITIES—

Financial liabilities including bank and other borrowings when recognised initially are measured at fair value plus, in the case of items not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition these are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LIABILITIES AND PROVISIONS—

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

LEASES AS A LESSEE—

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Gain on sale and leaseback transaction is deferred and amortised over the remaining lives of the leased assets using the straight-line method.

FAIR VALUE OF FINANCIAL INSTRUMENTS—

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of long-term debts are not disclosed unless there are significant items at the end of the year and are disclosed in the relevant notes.

REVENUE RECOGNITION—

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the Carved Out Segment and it is shown net of related tax, estimated returns, discounts and volume rebates. Revenue from medical services of short duration are recognised when medical services are rendered or when medical supplies are delivered to patients. Revenue from hotel, club membership and restaurant are recognised when services have been rendered. Initiation and membership fees received in advance are presented as deferred income and are recognised over the period of the membership. Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset. Dividend revenue from investments is recognised when the shareholder's right to receive the dividend is legally established.

FOREIGN CURRENCY TRANSACTIONS AND SINGAPORE DOLLAR FINANCIAL INFORMATION—

The functional currency is the Indonesian Rupiah as it reflects the primary economic environment in which the Carved Out Segment operates. Transactions in foreign currencies are recorded in Indonesian Rupiah at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement. The accompanying Singapore dollar financial information have been translated for convenience and as a matter of arithmetical computation only. The assets and liabilities are translated at year-end rates of exchange and the income and expense items are translated at average rate of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders' equity. The translation of Rupiah amounts into Singapore dollar amounts for the year ended has been made at the rate of Rp.1 to S$0.000169 (or S$1 to Rp.5,907) the approximate rate of exchange at the end of the year. The average rate used is Rp.1 to S$0.000171 (or S$1 to Rp.5,833). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into Indonesian Rupiah at the above rate or other rate.

BORROWING COSTS—

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest rate method.

INCOME TAX—

The tax returns are filed on a company wide basis by the Sponsor and the income tax balances and expense of the Carved Out Segment are computed for illustrative purposes only, and may not give a true picture of the tax position of the Carved Out Segment. The income taxes are accounted for by the Sponsor on a company wide basis using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the Pro Forma Combined Financial Information or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences.

EMPLOYEE BENEFITS—

Short-term employees benefits are recognised at an undiscounted amount when employees have rendered their services to the Carved Out Segment during the accounting period.

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

Post employment benefit amounts are determined on a company wide basis by the Sponsor and balances and expense are allocated to the Carved Out Segment. The post employment benefit expense is recognised at discounted amount when the employees have rendered their service to the Carved Out Segment during the accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Carved Out Segment's common practices. In calculating the liabilities, the benefit is discounted by using the projected unit credit method. Termination benefit is recognised when, and only when, the Carved Out Segment is committed to either: (a) terminate the employment of an employee or Carved Out Segment of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The Sponsor has determined and recognised liabilities on employees' benefits in accordance with the existing manpower regulations. Estimated liabilities on employees' benefits as of 31 December 2005 were calculated by independent actuaries, which is PT Pointera Aktuarial Strategis with its report dated 23 January 2006.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

In addition to those disclosed elsewhere in the notes, the critical judgements made in the process of applying the Carved Out Segment's accounting policies that have the most significant effect on the amounts recognised in the Pro Forma Combined Financial Information and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

PROVISION FOR DOUBTFUL ACCOUNTS—

Provision for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT—

The estimates for the useful lives and related depreciation charges for plant and equipment are based on commercial and other factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. The amount at the balance sheet date was Rp 146,023 million (S$24.72 million).

INVENTORY RELATED ALLOWANCES—

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory. The amount at the balance sheet date was Rp 14,860 million (S$2.52 million).

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

GENERAL RISK MANAGEMENT PRINCIPLES—

The Carved Out Segment financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the operations. The main risks arising from its financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS—

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. The management believes that the financial risks associated with these financial instruments are minimal. The cash and cash equivalents and other liquid financial assets are placed with high credit quality institutions. An ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the notes to the financial information.

OTHER RISKS ON FINANCIAL INSTRUMENTS—

The main risks arising from the Carved Out Segment's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps are not used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards liquidity, the policy has to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short-term flexibility is achieved by overdraft facilities and financial from related parties. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the Pro Forma Combined Financial Information. The policy is to reduce currency exposures through forward currency contracts or other arrangements. From time to time, there may be borrowings and foreign exchange arrangements or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the liabilities. These arrangements are not used for trading or speculative purposes.

OTHER BUSINESS RISKS AND UNCERTAINTIES—

There is exposure to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors and dependence on essential personnel. The industry is characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the Carved Out Segment.

2. RELATED PARTY TRANSACTIONS

A related party is an entity, segment, business unit or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the Carved Out Segment in governing the financial and operating policies, or that has an interest in the Carved Out Segment that gives it significant influence over the Carved Out Segment in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such Carved Out Segment resides with, directly or indirectly, any such individual. This includes the Sponsor, Manager, parents, subsidiaries, fellow subsidiaries, associates, joint ventures, related business operating units and post-employment benefit plans, if any.

2.1 *Related parties*:

Transactions with related parties mainly consists of trade receivables, advances, charges, placement in current accounts, investments and loans. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless otherwise disclosed. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the cost of borrowing of the Sponsor.

Intragroup transactions and balances that have been eliminated in the Pro Forma Combined Financial Information are not disclosed as related party transactions and balances below. Please also see Section B.

Certain administrative and other services were provided between the business units within the Sponsor. These services were provided at no cost to the related parties. As mentioned in section B of this report, certain common costs were also not allocated between the business units and between the enlarged group of the Sponsor.

Significant related parties balance and transactions as at the balance sheet date and for the year, respectively are as follows:

Balances	**Rp million**	**S$'000**
Cash and cash equivalents		
PT Bank Lippo Tbk	4,242	719
Other receivables		
PT East Jakarta Medika	555	94
Due to related party		
PT Lippo Karawaci Tbk	208,442	35,288

Transactions	Rp million	S$'000	Nature of Transactions
PT Lippo Karawaci Tbk	102,903	17,642	Non-interest bearing inter-unit payments
PT Bank Lippo Tbk	112	19	Current accounts, time deposits, and interest income (expense)
PT Lippo General Insurance Tbk	928	159	Insurance premium expenses for certain assets
PT East Jakarta Medika	438	75	Medical charges

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Carved Out Segment, directly or indirectly. For the year ended 31 December 2005, key management personnel compensation (mainly salary) of the Carved Out Segment amounted to Rp 2,739 million or approximately S$ 470,000. For the year ended 31 December 2005, certain key management personnel compensation of the Sponsor amounted to Rp 35,513 million or approximately S$6,012,000 are not allocated to the Carved Out Segment in accordance with the Sponsor's policy.

3. CASH AND CASH EQUIVALENTS

	Rp million	S$'000
Cash in hand		
—Rupiah	1,035	175
Cash in banks:		
Third parties		
—Rupiah	5,932	1,004
Related party (Note G2)		
—Rupiah	4,167	705
—Foreign currency—USD	75	14
Cash and cash equivalents in the cashflow statement	11,209	1,898

The above cash is not restricted in use except for Rp 78.7 million (S$13,323 million) which is designated as fund for the replacement of certain furniture, fixture and equipment of the hotel.

Effective interest rate for interest earning accounts: Rupiah accounts 5%-10% and USD accounts 3.25% per year.

4. TRADE AND OTHER RECEIVABLES

	Rp million	S$'000
Trade receivables:		
Third parties		
—Healthcare	24,885	4,213
—Hotel	4,645	786
	29,530	4,999
Less: Provision for doubtful debts	(1,635)	(277)
	27,895	4,722
Employees		
—Healthcare	1,212	205
Less: Provision for doubtful debts	(204)	(35)
	1,008	170
	28,903	4,892
Other receivables:		
Third parties		
—Healthcare	1,083	183
—Hotel	488	83
Less: Provision for doubtful debts	(19)	(3)
	1,552	263
Employee advances	563	95
Prepaid maintenance expenses	978	165
Tax recoverable	502	85
Prepayments	1,579	267
Related party (Note G2)	555	94
Others	211	37
	5,940	1,006
	34,843	5,898

The aging of third parties trade receivables is as follow:

	Rp million	S$'000
Third parties		
Up to 3 months	26,619	4,507
> 3 months—6 months	574	97
> 6 months—1 year	2,337	395
	29,530	4,999

Movements in the provision for receivables are as follows:

	Rp million	S$'000
Balance at beginning of year	2,400	422
Exchange translation difference	—	(13)
Charged to income statement under administrative expenses	458	78
Reversed to income statement under finance income	(1,000)	(172)
Balance at end of year	1,858	315

There is no concentration of credit risk with respect to trade receivables, as the Carved Out Segment has a large number of customers. Concentration of credit risk with respect to other receivables are mainly receivables from related parties. Employee advances are interest free and generally repayable within one year. Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

5. INVENTORIES

	Rp million	S$'000
Medical supplies:		
—Pharmaceutical	11,306	1,914
—Non-pharmaceutical	2,289	388
Hotel supplies	513	87
Others	752	127
	14,860	2,516

6. ASSETS HELD FOR SALE

	Rp million	S$'000
Land and building at cost	345,936	58,564

On 30 December 2005, the Sponsor announced to its shareholders that the Sponsor will sell and lease back three hospitals and one hotel (see section A of this report). Following this, these assets are classified as assets held for sale. The sale and lease back transaction is expected to be completed at the date of the Prospectus.

7. PROPERTY, PLANT AND EQUIPMENT

	Beginning balance Rp Million	Additions Rp Million	Disposals Rp Million	Reclassification Rp Million	Ending balance Rp Million
Cost:					
Land	188,823	9,602	—	(143,154)*	55,271
Building	297,727	3,563	—	(298,222)*	3,068
Furniture and fixture	50,446	4,161	40	841	55,408
Medical equipment	149,347	23,958	2,226	(44)	171,035
Machinery and equipment	11,043	36	15	798	11,862
Vehicle	2,292	469	158	—	2,603
Under capital lease	788	179	—	—	967
Construction in progress	524	2,347	—	(1,594)	1,277
	700,990	44,315	2,439	(441,375)	301,491
Accumulated depreciation:					
Building	81,346	14,760	—	(95,440)*	666
Furniture and fixture	30,030	8,288	48	—	38,270
Medical equipment	94,697	17,182	1,855	—	110,024
Machinery and equipment	2,048	2,091	—	—	4,139
Vehicle	1,674	385	158	41	1,942
Under capital lease	263	164	—	—	427
Sub-total	210,058	42,870	2,061	(95,399)	155,468
Net book value	490,932				146,023

	Beginning balance S$'000	Additions S$'000	Disposals S$'000	Reclassification S$'000	Exchange translation differences S$'000	Ending balance S$'000
Cost:						
Land	33,214	1,646	—	(24,235)*	(1,268)	9,357
Building	52,371	611	—	(50,486)*	(1,977)	519
Furniture and fixture	8,864	713	7	145	(335)	9,380
Medical equipment	26,270	4,107	380	(8)	(1,034)	28,955
Machinery and equipment	1,943	6	2	136	(75)	2,008
Vehicle	403	81	27	—	(16)	441
Under capital lease	139	31	—	—	(6)	164
Construction in progress	92	402	—	(273)	(5)	216
	123,296	7,597	416	(74,721)	(4,716)	51,040
Accumulated depreciation:						
Building	14,309	2,530	—	(16,157)*	(569)	113
Furniture and fixture	5,282	1,421	8	—	(216)	6,479
Medical equipment	16,657	2,946	318	—	(659)	18,626
Machinery and equipment	360	359	—	—	(18)	701
Vehicle	294	66	27	7	(11)	329
Under capital lease	46	28	—	—	(2)	72
	36,948	7,350	353	(16,150)	(1,475)	26,320
Net book value	86,348					24,720

Depreciation expenses are allocated as follows:

	Rp million	S$'000
Cost of sales and services	25,280	4,334
General and administrative expenses	17,590	3,016
Total	42,870	7,350

* Reclassification of land and building to assets held for sale (Note G6).

No interest cost was capitalised during the year.

8. OTHER ASSETS

	Rp million	S$'000
Other assets	335	57
	335	57

The amount consist mainly deposits to secure services.

9. TRADE AND OTHER PAYABLES

	Rp million	S$'000
Trade payables:		
Third parties trade payables and accruals	50,894	8,616
Other payables:		
Due to related parties (Note G2)	208,442	35,288
Deferred rental and club memberships income	9,936	1,682
Provision for replacement costs for hotel's furniture, fixture and equipment	3,968	672
Deposits from customers	2,078	352
Deferred gain on sale and lease back transactions	1,748	296
Other payables	304	52
Other taxes	4,307	728
	281,677	47,686

Amount due to related parties refers to amount due to the Sponsor's other business units.

10. INCOME TAX

a. Income Tax Expense

	Rp million	S$'000
Current	(31,522)	(5,404)
Deferred	2,487	426
	(29,035)	(4,978)

The tax returns are filed on a company wide basis by the Sponsor and the income tax balances and expense of the Carved Out Segment are computed for illustrative purposes only. The income tax expense varied from the amount of income tax expense determined by applying the Indonesian income tax rate to profit before income tax as result of the following differences:

	Rp million	S$'000
Profit before tax	96,246	16,500
Income tax expense at the statutory rate 30%	28,874	4,950
Not-allowable (taxable) item, net	179	31
Reduction in tax rates	(18)	(3)
Total tax expense	29,035	4,978

b. Deferred Tax Assets

Details of the deferred tax assets are as follows:

	Balance sheet		Net change to income statement	
	Rp million	S$'000	Rp million	S$'000
Employee benefits	5,864	993	854	146
Depreciation	465	79	1,720	295
Provision for doubtful debts	30	5	30	5
Total deferred tax assets	6,359	1,077	2,604	446
Leasing	(14)	(2)	(14)	(2)
Others	(103)	(18)	(103)	(18)
Total deferred tax liabilities	(117)	(20)	(117)	(20)
Total deferred tax assets	6,242	1,057	2,487	426

11. BORROWINGS

	Rp million	S$'000
Corfina Finance Limited	23,029	3,899
	23,029	3,899

In 1997, the Sponsor issued promissory notes to finance the acquisition of a hospital. These promissory notes were fully repaid after the balance sheet date. The effective interest rate is 11.88% per year.

12. RETIREMENT BENEFIT OBLIGATIONS

	Rp million	S$'000
Retirement Benefit Obligations	19,548	3,309
	19,548	3,309

The Sponsor has determined and recognised liabilities on employees' benefits in accordance with the existing manpower regulations. Estimated liabilities on employees' benefits as of 31 December 2005 was calculated by independent actuary, which is PT Pointera Aktuarial Strategis with its report dated 23 January 2006. As at 31 December 2005 the Carved Out Segment has 1,849 employees.

Management is in the opinion that the estimate of employees' benefits assets is sufficient to cover liabilities.

Movements of the liability is as follows:

	Rp million	S$'000
At beginning of the year	16,702	2,938
Exchange translation differences	—	(117)
Recognised employee benefit expense in current year	2,846	488
At end of the year	19,548	3,309

Present value of liabilities, related current service cost and past service cost have been calculated by independent actuary by using the following assumptions :

Interest Rates	: 10%-12%
Increase in Salary Projection Rate	: 10%
Mortality Rate	: 100% TMI2
Permanent Disability Rate	: 5%
Withdrawal Rate	: 1% per annum
Proportion Method Intake of Normal Pension Method	: 100%
Method	: Projected Unit Credit

13. REVENUE

	Rp million	S$'000
Healthcare and hospitals segment:		
Inpatient department		
Medical support services	107,179	18,144
Drugs and medical supplies	104,142	17,630
Ward fees	48,504	8,211
Administration fees	14,164	2,398
Operating theatre	8,140	1,378
Delivery fees	889	151
Others	6,847	1,159
Outpatient department		
Professional fees	90,026	15,241
Medical support services	62,069	10,508
Registration fees	6,803	2,115
	448,763	76,935
Infrastructure and hospitality segment:		
Hotel and restaurants	47,350	8,118
	496,113	85,053

14. FINANCE INCOME

	Rp million	S$'000
Gain on foreign exchange adjustments	89	15
Interest income	166	28
Bad debts recovered	1,000	172
Others	33	6
	1,288	221

15. FINANCE EXPENSE

	Rp million	S$'000
Interest expense	2,392	410
Loss on foreign exchange adjustments	179	31
	2,571	441

16. OTHER CREDITS / (CHARGES)

	Rp million	S$'000
Rental expenses - monthly basis	272	47
Loss on disposal of property, plant and equipment	(144)	(25)
Others	730	125
	858	147

17. EMPLOYEE BENEFITS EXPENSE

	Rp million	S$'000
Employee benefits expense	60,548	10,380
Contributions to defined contribution plan	1,251	214
Contributions to defined benefit plan	2,846	488
Total employee benefits expense	64,645	11,082

18. FINANCIAL INFORMATION BY SEGMENTS

The segment information appears in the financial statements of the Sponsor set out in pages D-52 to D-54 of Appendix D of the Prospectus includes the financial information of the Carved Out Segment.

The Carved Out Segment operates predominantly in Indonesia.

19. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following IFRS that have been issued will be effective in future. The transfer to the new standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

IFRS 6 Exploration for and Evaluation of Mineral Resources (*)
IFRS 7 Financial Instruments: Disclosures
IFRIC 4—Determining whether an Arrangement contains a Lease
IFRIC 5—Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
IFRIC 7—Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
Amendments to IAS 1 Presentation of Financial Statements on Capital Disclosures
Amendments to IAS 19 Actuarial Gains and Losses, Group Plans and Disclosures
Amendments to IAS 39 Financial Instruments: Recognition and Measurement on hedge accounting provision, fair value option and financial guarantee contracts (*)
Amendments to IFRS 1 First-time Adoption of Financial Reporting Standards on comparative disclosures for IFRS 6 Exploration for and Evaluation of Mineral Resources (*)
Amendments to IFRS 4 Insurance Contracts on financial guarantee contracts (*)

(*) Not applicable to the entity.

20. MANAGEMENT RESPONSIBILITY ON THE PRO FORMA COMBINED FINANCIAL INFORMATION

The directors and managements of First REIT and the Sponsor are responsible for the preparation of the Pro Forma Combined Financial Information. The Pro Forma Combined Financial Information were approved and authorised for issue by them on the date of the Prospectus.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 31 DECEMBER 2005

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 31 DECEMBER 2005

This report has been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We have audited the consolidated balance sheet of the PT Lippo Karawaci Tbk as at 31 December 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended as set out on pages D-4 to D-55 of Appendix D of the Prospectus, which, as described in Note 2 of the consolidated financial statements, have been prepared on the basis of International Financial Reporting Standards. These financial statements are the responsibility of the PT Lippo Karawaci Tbk's management and directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the PT Lippo Karawaci Tbk Group as at 31 December 2005, and of the results of its operations, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PT Lippo Karawaci Tbk is listed on the Jakarta and Surabaya Stock Exchanges. We have also reported separately on the consolidated financial statements of PT Lippo Karawaci Tbk for the same period presented in accordance with generally accepted accounting principles in Indonesia. Our report is dated 1 February 2006. This report is originally issued in Indonesian language. There are significant differences between the generally accepted accounting principles in Indonesia and International Financial Reporting Standards. These significant differences are summarised in Note 3 of the consolidated financial statements.

Yours faithfully

Aryanto Amir Jusuf & Mawar
(RSM AAJ Associates)
Certified Public Accountants
Indonesia

Partner in charge : Dedy Sukrisnadi, BAP
License Number: 03.1.0882

INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT ON THE RECONCILIATION OF INDONESIAN GAAP CONSOLIDATED FINANCIAL STATEMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 31 DECEMBER 2005

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT ON THE RECONCILIATION OF INDONESIAN GAAP CONSOLIDATED FINANCIAL STATEMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 31 DECEMBER 2005

This report has been prepared for inclusion in the prospectus (the "Prospectus") to be issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We have read the audited consolidated financial statements of PT Lippo Karawaci Tbk in respect of the financial year ended 31 December 2005 as set out on pages D-4 to D-55 of Appendix D of the Prospectus. PT Lippo Karawaci Tbk is listed on the Jakarta and Surabaya Stock Exchanges and it has issued audited consolidated financial statements for the same period presented in accordance with generally accepted accounting principles in Indonesia ("Indonesian GAAP"). For the purpose of the Prospectus the audited consolidated financial statements have also been prepared on the basis of IFRS and were audited by Aryanto Amir Jusuf & Mawar (RSM AAJ Associates), Certified Public Accountants, Indonesia, (a member of RSM International). We have not carried out any subsequent or additional audit procedures on those consolidated financial statements.

The audit reports of Aryanto Amir Jusuf & Mawar (RSM AAJ Associates) on the consolidated financial statements for the financial year ended 31 December 2005 under Indonesian GAAP and IFRS respectively expressed an unqualified opinion on those consolidated financial statements.

Based on the Indonesian GAAP audited consolidated financial statements, the directors of PT Lippo Karawaci Tbk made certain adjustments to re-state the consolidated financial statements and to re-present with expanded disclosure of financial information in order to comply with the IFRS ("IFRS audited consolidated financial statements").

Directors of PT Lippo Karawaci Tbk are responsible for the IFRS audited consolidated financial statements. Our responsibility in relation to the IFRS audited consolidated financial statements is to issue a report on the reconciliation of Indonesian GAAP audited consolidated financial statements to the IFRS audited consolidated financial statements of PT Lippo Karawaci Tbk as at 31 December 2005 in Note 3 as set out on pages D-23 to D-27 of Appendix D of the Prospectus. Our report is to indicate whether anything has come to our attention to cause us to believe that the reconciliation has not been properly stated in all material respects in accordance with IFRS.

We conducted our procedures in accordance with Singapore Statement of Auditing Practice 24, "*Auditors and Public Offering Documents*". This Statement requires that we discuss with Management and the auditors to obtain an understanding of the business and the financial position and performance of PT Lippo Karawaci Tbk for the financial year under review, and of the procedures applied and decisions made by Management in identifying, quantifying and making the re-statement adjustments in the reconciliation. Our procedures with respect to the reconciliation included (*a*) agreeing the previously reported balances under Indonesian GAAP to the balances reported under IFRS and the adjustments to the underlying records obtained from Management, and (*b*) testing the mathematical accuracy of the reconciliation. Our procedures in this regard did not involve any audit or review procedures on the consolidated financial statements of PT Lippo Karawaci Tbk and, accordingly, we do not express any opinion on the IFRS audited consolidated financial statements.

Based on our procedures, nothing came to our attention to cause us to believe that the reconciliation of Indonesian GAAP audited consolidated financial statements to the IFRS audited consolidated financial statements of PT Lippo Karawaci Tbk as at 31 December 2005 as set out in Note 3 of the IFRS audited consolidated financial statements has not been properly stated, in all material respects, in accordance with IFRS.

Yours faithfully

RSM Chio Lim
Certified Public Accountants
Singapore

Partner in charge: Kaka Singh
A member of the Institute of Certified Public Accountants of Singapore

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS OF 31 DECEMBER 2005

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	Note	Rp million	S$'000
ASSETS			
Current assets:			
Cash and cash equivalents	5	312,203	52,853
Current investments	10	8,200	1,388
Trade and other receivables	6	626,814	106,113
Inventories	7	3,117,771	527,810
Assets held for sale	8	345,936	58,564
Total current assets		4,410,924	746,728
Non-current assets:			
Investments in associates	9	34,302	5,807
Non-current investments	10	61,510	10,413
Property, plant and equipment	11	856,110	144,932
Undeveloped land	12	971,538	164,472
Goodwill	13	145,464	24,625
Other intangible assets	14	210	36
Other non-current assets	15	63,522	10,754
Total non-current assets		2,132,656	361,039
Total assets		6,543,580	1,107,767
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	18	1,359,544	230,158
Trade and other payables	16	1,120,776	189,737
Current tax payables	17	224,678	38,036
Current portion of long-term borrowings	18	139,870	23,679
Obligation under finance leases		447	75
Total current liabilities		2,845,315	481,685
Non-current liabilities:			
Deferred tax	17	48,449	8,202
Long-term borrowings	18	175,729	29,749
Retirement benefit obligations	19	83,032	14,057
Total non-current liabilities		307,210	52,008
Total liabilities		3,152,525	533,693
Equity:			
Issued capital	20	1,466,425	354,723
Reserves	21	1,616,726	167,226
Equity attributable to equity holders of the Company		3,083,151	521,949
Minority interests		307,904	52,125
Total equity		3,391,055	574,074
Total liabilities and equity		6,543,580	1,107,767

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS OF 31 DECEMBER 2005

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2005

	Note	Rp million	S$'000
Revenue	22	2,052,221	351,829
Cost of sales		(1,029,020)	(176,413)
Gross profit		1,023,201	175,416
Finance income	23	36,676	6,288
Finance expense	24	(59,632)	(10,223)
Distribution costs		(101,508)	(17,402)
Administrative expenses		(361,760)	(62,020)
Other credits/(charges)	25	27,576	4,727
Share of profit of associates		3,915	671
Profit before tax		568,468	97,457
Income tax expense	17	(177,052)	(30,353)
Profit for the year		391,416	67,104
Attributable to:			
Equity holders of the Company		373,738	64,073
Minority interests		17,678	3,031
		391,416	67,104
Earnings per share (in whole Rupiah / S cents)	27		
Basic		129	2.21
Diluted		109	1.87

See accompanying notes to the financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS OF 31 DECEMBER 2005

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2005

	Attributable to equity holders of the Company					
	Issued capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	Rp million	Rp million	Rp million	Rp million	Rp million	Rp million
Balance at 1 January 2005	1,025,694	316,527	102,704	1,444,925	255,977	1,700,902
Effect of IFRS adjustments (Note 3)	—	293,170	82,554	375,724	5,400	381,124
Restated balance	1,025,694	609,697	185,258	1,820,649	261,377	2,082,026
Profit for the year	—	—	373,738	373,738	17,678	391,416
Total recognised income for the year	—	—	373,738	373,738	17,678	391,416
Issue of share capital (Note 20)	440,731	477,361	—	918,092	28,849	946,941
Dividends paid (Note 28)	—	—	(29,328)	(29,328)	—	(29,328)
Balance at 31 December 2005	1,466,425	1,087,058	529,668	3,083,151	307,904	3,391,055

	Issued capital	Other reserves	Retained earnings	Total	Minority interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Balance at 1 January 2005	275,982	60,671	11,227	347,880	45,027	392,907
Foreign exchange translation adjustments	—	(93,717)	—	(93,717)	—	(93,717)
Effect of IFRS adjustments (Note 3)	—	51,569	14,521	66,090	950	67,040
Restated balance	275,982	18,523	25,748	320,253	45,977	366,230
Profit for the year	—	—	64,073	64,073	3,031	67,104
Exchange translation differences	—	(21,368)	—	(21,368)	(420)	(21,788)
Total recognised income and expense for the year	—	(21,368)	64,073	42,705	2,611	45,316
Issue of share capital (Note 20)	78,741	85,278	—	164,019	3,537	167,556
Dividends paid (Note 28)	—	—	(5,028)	(5,028)	—	(5,028)
Balance at 31 December 2005	354,723	82,433	84,793	521,949	52,125	574,074

See accompanying notes to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2005

	Rp million	S$'000
Operating Activities		
Cash receipt from customers	1,873,515	321,201
Cash paid to suppliers and employees	(3,016,008)	(517,073)
Income tax paid	(119,708)	(20,523)
Interest paid	(38,821)	(6,656)
Net cash used in operating activities	(1,301,022)	(223,051)
Investing Activities		
Dividends received from equity investments	753	129
Proceeds from sale of property, plant and equipment	3,793	650
Purchase of property, plant and equipment	(101,822)	(17,456)
Withdrawal of restricted funds	(124)	(21)
Proceeds from redemption of investments	78,060	13,383
Payment for advances	(17,545)	(3,008)
Net cash used in investing activities	(36,885)	(6,323)
Financing Activities		
Dividends paid	(29,328)	(5,028)
Repayments of borrowings	(60,608)	(10,391)
Repayments of obligation under finance leases	(1,325)	(227)
Proceeds on issue of shares	918,094	157,401
Draw down of bank borrowings	746,050	127,905
Settlement of promissory notes	(192,581)	(33,017)
Net cash from financing activities	1,380,302	236,643
Net increase in cash and cash equivalents	42,395	7,269
Cash restricted in use—Time deposits due more than 3 months	(24,575)	(4,160)
Cash & cash equivalents at the beginning of the year	269,005	47,318
Exchange translation differences	803	(1,734)
Cash & cash equivalents at the end of the year (Note 5)	287,628	48,693

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK
AS OF 31 DECEMBER 2005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Principal Activities

PT Lippo Karawaci Tbk (the Company) was established under the name of PT Tunggal Reksakencana on 15 October 1990 based on notarial deed No. 233 of Misahardi Wilamarta, SH. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated 22 November 1991 and published in the State Gazette No. 62, Supplement No. 3593 on 4 August 1992. The Company's Article of Association have been amended several times and the latest by the Resolution of the Meeting of the Company, which was further legalized with notarial deed No. 5 of Unita Christina Winata, SH, dated 4 February 2005 concerning amongst others, the increase of authorized capital and additional paid-in capital as a result of Rights Issue II. The deed of amendment was approved by the Minister of Justice and Human Rights in his Decree No. C-07114.HT.01.04.TH.2005 dated 4 February 2005, which was published in the State Gazette No. 46, Supplement No. 532 dated 10 June 2005.

In accordance with article 3 of the Company's Articles of Association, the Company's scope of activities include real estate, urban development, land purchasing and clearing, land cut and fill, land development and excavation; infrastructure development; planning and developing of homes, buildings, offices and industrial estates, hotels, hospitals, commercial centers, sports centers as well as supporting infrastructure, including but not limited to golf courses, club houses, restaurants, other entertainment centers, medical laboratories, medical pharmacies and related facilities, sale, rent and operate the above activities, build and manage accommodation and public facilities, operating activities in public services consisting of public transportation, security protection and other supporting services, except for legal and taxation services.

As at the reporting date, the main activities of the Company are conducting businesses related to Housing and Land Development, Healthcare and Hospitals, and Infrastructure and Hospitality.

The Company is domiciled in Indonesia at 2121 Bulevar Gajah Mada #01-01, Lippo Cyber Park, Lippo Karawaci Tangerang, Indonesia.

Company's Stocks Public Offering in Indonesia

The Company's Initial Public Offering of 30,800,000 shares was declared effective by the Chairman of Capital Market Supervisory Board (Bapepam) in his Decree No. S-878/PM/1996 dated 3 June 1996, and was listed on Jakarta and Surabaya Stock Exchanges on 28 June 1996.

Subsequently, the Company offered 607,796,000 shares to its existing stockholders through Rights Issue I, as approved by the Decree of the Chairman of Bapepam in his letter No. S-2969/PM/1997 dated 30 December 1997. These shares were listed on Jakarta and Surabaya Stock Exchanges on 16 January 1998.

In 30 July 2004, the Company acquired several companies and merged them into the Company. As part of the merger, the Company issued 1,063,275,250 new shares to the merged companies' shareholders. Thus the Company's total issued shares were 2,050,943,750 shares. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-19039.HT.01.04.TH.04 dated 30 July 2004.

In 2004, the Company issued new shares through a Limited Public Offering II in connection with preemptive rights issuance of 881,905,813 common shares at a par value of Rp 500 per share, and issued 529,143,488 Warrant Serie I as a compliment to shareholders that exercised their rights in the Limited Public Offering. This offering was approved by the Decree of The Chairman of Bapepam in his letter No. S-3357/PM/2004 dated 29 October 2004. These shares were listed on Jakarta and Surabaya Stock Exchanges on 20 January 2005. As of 31 December 2005, the total issued shares of the Company were 2,932,849,570 shares and listed on Jakarta and Surabaya Stock Exchanges.

1. GENERAL (Cont'd)

Group Structure

The following list presents the Company's ownership of subsidiaries in which the Company has control over their management and/or has ownership of more than 50%, either directly or indirectly.

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2005 Rp million	Total Assets 2005 S$'000
PT Prudential Development (formerly PT Prudential Golf Development)	Tangerang	Real Estate	100.00	—	255	43
Prudential Development Ltd	Vanuatu	Investment	100.00	—	—	—
PT Sentra Dwimandiri and Subsidiaries	Tangerang	Real Estate	100.00	—	777,651	131,649
PT Muliasentosa Dinamika (which has 4.48% ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	100.00	1997	326,985	55,355
PT Sentra Realtindo Development (which has 4.62% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Tangerang	House Improvement	100.00	2001	99,907	16,913
PT Darma Sarana Nusa Pratama and Subsidiaries	Tangerang	Real Estate	52.70	1997	87,709	14,848
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	42.16	2001	880	149
PT Golden Pradamas and Subsidiaries	Tangerang	Real Estate	100.00	—	130,519	22,096
PT Mulia Bangun Semesta and Subsidiaries	Jakarta	Real Estate	99.98	2002	105,768	17,906
PT Villa Permata Cibodas	Tangerang	Real Estate	79.98	1995	96,540	16,343
PT Puncak Resort International and Subsidiaries	Cianjur	Real Estate	100.00	1994	72,844	12,332
PT Sentosa Seksama	Cianjur	Real Estate	100.00	1994	23,234	3,933
PT Purimegah Swarga Buana	Cianjur	Real Estate	100.00	1994	8,779	1,486
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	100.00	1994	7,206	1,220
PT Pesanggrahan Suripermata Agung	Cianjur	Real Estate	100.00	1994	1,974	334
PT Dona Indo Prima	Cianjur	Real Estate	100.00	—	50	8
PT Sukmaprima Sejahtera	Cianjur	Real Estate	100.00	—	50	8
PT Sentra Asritama Realty Development	Tangerang	Installation and Water Treatment	100.00	1994	36,099	6,111
PT Sentra Graha Mandiri	Tangerang	Real Estate	100.00	—	33,312	5,639
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	100.00	1999	44,340	7,506
PT Saptapersada Jagatnusa	Tangerang	Bowling	100.00	1998	7,730	1,309
PT Sejatijaya Selaras	Tangerang	Real Estate	100.00	—	19,287	3,265
PT Taman Sari Lippo Karawaci	Tangerang	Food Court	100.00	1994	8,468	1,434
PT Surya Makmur Alam Persada	Tangerang	Real Estate	100.00	—	20,284	3,434
PT Bahtera Pratama Wirasakti	Tangerang	Real Estate	100.00	—	15,739	2,664
PT Sentra Office Realty	Tangerang	Building Management	100.00	1998	2,725	461
PT Dinamika Intertrans	Tangerang	Transportation	100.00	1994	3,653	618
PT Imperial Karawaci Golf	Tangerang	Golf	100.00	—	488	83
PT Agung Sepadan	Tangerang	Real Estate	100.00	—	37	6
PT Prudential Townhouse Development	Tangerang	Real Estate	100.00	—	65	11
PT Wahana Tatabangun Cemerlang Matahari	Tangerang	Real Estate	100.00	—	19	3
PT Wahana Tatabangun Cemerlang	Tangerang	Real Estate	100.00	—	17	3
PT Paragon City	Tangerang	Real Estate and Trading	100.00	—	500	85
PT Graha Indah Pratama	Jakarta	Real Estate and urban Development	100.00	—	250	42
PT Sentra Dinamika Perkasa	Jakarta	Real Estate and Urban Development	100.00	—	250	42
PT Tata Prima Indah	Jakarta	Real Estate and Urban Development	100.00	—	250	42
PT Karya Sentra Sejahtera	Jakarta	Real Estate and Urban Development	100.00	—	250	42
Bridgewater International Ltd	Seychelles	Investment	100.00	—	49	8
Henley Investments Pte. Ltd	Singapore	General	100.00	—	—	—
Primerich Investments Pte. Ltd	Singapore	General Trading	100.00	—	—	—
Lovage International Pte. Ltd	Singapore	General Trading	100.00	—	177	30
Got Pte. Ltd	Singapore	General Trading	100.00	—	6	1

1. GENERAL (Cont'd)

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2005 Rp million	Total Assets 2005 S$'000
PT Lippo Cikarang Tbk and Subsidiaries	Bekasi	Real Estate	51.33	1989	1,110,566	188,009
PT Great Jakarta Inti Development (which has 2.5% and 10% owernship in PT Dian Citimarga and PT Dunia Air Indah, respectively)	Bekasi	Town Management and Real Estate	51.33	1992	113,693	19,247
PT Erabaru Realindo	Bekasi	Real Estate	51.33	—	16,980	2,875
PT Dian Citimarga	Bekasi	Public Transportation	51.33	1993	117	20
PT Kreasi Dunia Keluarga	Bekasi	Recreation Service	51.38	1993	2,591	439
Lippo Land Development International Finance Company B.V.	Belanda	Investment	100.00	—	356	60
Pan Asian Investment, Ltd and Subsidiaries	Vanuatu	Trading	100.00	—	6,835	1,157
Cromwell Investment, Ltd	Vanuatu	Trading	100.00	—	—	—
PT Wisma Jatim Propertindo (which has 0.02% ownership in PT Pendopo Niaga) and Subsidiaries	Jakarta	Services	100.00	—	1,239,748	209,878
PT Larasati Anugerah	Jakarta	Trading	100.00	—	17	3
PT Carakatama Dirgantara and Subsidiaries	Jakarta	Trading	100.00	—	12,715	2,152
PT Prudential Hotel Development	Jakarta	Trading and Service	100.00	1994*	12,693	3,149
PT Ariasindo Sejati and Subsidiaries	Jakarta	Trading and Service	95.00	—	182,838	30,953
PT Unitech Prima Indah	Medan	Real Estate	94.68	2004	177,470	30,044
PT Lipposindo Abadi and Subsidiaries	Jakarta	Trading	100.00	—	194,165	32,870
PT Kemuning Satiatama (which has 42.20% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Jakarta	Trading	100.00	—	189,203	32,030
PT Megachandra Karyalestari	Jakarta	Trading	100.00	1992*	573	97
PT Prudential Office Development	Jakarta	Trading and Service	100.00	1994*	1,527	259
PT Prudential Apartment Development	Jakarta	Services	100.00	1993*	1,446	245
PT Sentra Kharisma Indah and Subsidiaries	Jakarta	Services	80.00	—	119	20
Norfolk Enterprises, Ltd	Cook Island	Trading	80.00	—	—	—
PT Sentra Goldhill Businesspark	Jakarta	Services	72.00	—	50	8
PT Metropolitan Leisure and Subsidiaries	Jakarta	Trading and Service	100.00	—	108,823	18,423
PT Kurniasindo Sejahtera	Jakarta	Trading and Service	100.00	—	1,359	230
PT Guna Tata Carakatama	Makassar	Trading and Service	100.00	2002	117	20
PT Lippo Land Cahaya Indonesia	Jakarta	Services	100.00	2003	5,535	937
PT Graha Tata Cemerlang Makassar	Makassar	Real Estate	100.00	2002	101,811	17,236
PT Bathara Brahma Sakti	Jakarta	Trading and Service	100.00	1992*	2,573	436
PT Realty Limaribu	Jakarta	Services	100.00	1998*	369	62
PT Dwisindo Jaya	Jakarta	Trading	100.00	—	117	20
PT Lipposindo and Subsidiaries	Jakarta	Trading	100.00	—	57,003	9,650
PT Pendopo Niaga	Jakarta	Real Estate	100.00	2004	56,783	9,613
PT Lippo Vacation and Subsidiaries	Jakarta	Trading	100.00	—	373,038	63,152
PT Jagat Pertala Nusantara	Jakarta	Real Estate	100.00	2004	357,981	60,603
PT Wisma Sumut Propertindo	Jakarta	Services	100.00	—	36	6
PT Mulia Mukti Persada Perkasa	Jakarta	Trading	100.00	—	5	1
PT Kemang Village and Subsidiaries	Jakarta	Trading	100.00	—	85,038	14,396
PT Menara Bhumimegah and Subsidiaries	Jakarta	Services	100.00	2005	83,315	14,104
PT Jaya Usaha Prima and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	—	68,938	11,671
PT Persada Mandiri Abadi and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	2005	68,965	11,675
PT Pesona Indah Lestari	Jakarta	Hotel and Tourism	100.00	—	10,000	1,693
PT Prima Aman Sarana	Jakarta	Services	100.00	—	500	85
PT Kemang Multi Sarana	Jakarta	Real Estate and Urban Development	100.00	—	500	85
PT Menara Perkasa Megah and Subsidiaries	Jakarta	Real Estate and Urban Development	100.00	2005	209,600	35,483
PT Pelangi Cahaya Intan Makmur and Subsidiaries	Sidoarjo	Trading	85.00	—	155,378	26,304
PT Surya Mitra Jaya	Sidoarjo	Trading and Service	85.01	2005	154,484	26,153
PT Maharama Sakti	Jakarta	Trading	100.00	—	41	7
Indigo Investment Fund, Ltd	Cook Island	Investment	100.00	—	—	—
Bankasia Holdings, Ltd	Cook Island	Trading	100.00	—	—	—
Inglewood Properties, Ltd	Cook Island	Trading	100.00	—	—	—
Chesterfield	Cook Island	Trading	100.00	—	—	—
PT Aritasindo Permai Semesta and Subsidiaries	Jakarta	Healthcare	99.98	—	6,990	1,183
PT Siloam Specialis Clinic	Jakarta	Healthcare	99.98	2005	6,971	1,180
PT Siloam Hospital	Jakarta	Healthcare	99.98	—	2,000	339
PT Eramulia Pratamajaya	Jakarta	Healthcare	99.98	—	19	3
PT Siloam Hospitals (formerly PT Sentralindo Wirasta	Jakarta	Healthcare	99.98	—	2,070	350
PT East Jakarta Medika	Bekasi	Healthcare	50.00	2002	62,217	10,533
PT Serasi Adikarsa	Bekasi	Healthcare	99.98	—	5	1

1. GENERAL (Cont'd)

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2005 Rp million	Total Assets 2005 S$'000
PT Sentra Star Dinamika	Bekasi	Healthcare	99.98	—	5	1
PT Shimatama Graha	Bekasi	Restaurant, Bar, Catering, Etc	100.00	1989	2,155	364
PT Aryaduta International Management (Formerly PT Duamitra Sejati)	Jakarta	Management Building	100.00	1998	295	50
PT Tigamitra Ekamulia	Jakarta	General	100.00	1998*	131	22
PT Mandiri Cipta Gemilang	Jakarta	Development	100.00	2003	367,802	62,265
PT Aresta Amanda Lestari (which has 0.31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	4,273	723
PT Aresta Permata Utama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	2,315	392
PT Fajar Usaha Semesta (which has 4.73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	3,173	537
PT Fajar Raya Cemerlang (which has 4.58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	3,074	520
PT Fajar Abadi Aditama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	2,315	392
PT Nuansa Indah Lestari and Subsidiaries	Jakarta	General Trading	99.99	—	31,238	5,288
PT Metropolitan Permai Semesta and Subsidiaries	Jakarta	General Trading	89.73	—	33,023	5,590
PT Makassar Permata Sulawesi (which has 32.5% ownership in PT Gowa Makassar Tourism Development Tbk)	Makassar	General Trading	88.65	—	31,015	5,250
PT Gowa Makassar Tourism Development Tbk	Makassar	Real Estate and Property	50.30	1997	266,098	45,048

* Inactive

On 2 November 2004, PT Lipposindo (LS), acquired 50% ownership of PT Pendopo Niaga (PN). On 5 November 2004, LS increased its ownership to 99.98%. Based on Notarial deed No. 22 of Unita Christina Winata, SH, dated 16 March 2005, PN's authorized capital was increased from 20,000 shares to 2,000,000 shares, issued and fully paid capital from 5,000 shares to 500,000 shares with a par value of Rp 1,000 per share. All additional issued and fully paid capital were all taken by LS. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-08920 HT.01.04.TH.2005 dated 4 April 2005.

PT Paragon City was established under notarial deed No. 9 of Unita Christina Winata, SH, dated 16 December 2004. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-04712.HT.01.01.TH.2005 dated 23 February 2005.

PT Kemang Village was established under notarial deed No. 45 of Unita Christina Winata, SH, dated 15 April 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-22400.HT.01.01.TH.2005 dated 11 August 2005.

On 27 May 2005, PT Lippo Vacation, a subsidiary, acquired 99.96% ownership of PT Jagat Pertala Nusantara.

1. GENERAL (Cont'd)

On 9 August 2005, two subsidiaries namely PT Aritasindo Permai Semesta and PT Maharama Sakti, acquired 99% and 1% ownership of PT Metaindo Pratama, respectively. Based on Shareholders' General Meeting held on 20 September 2005, which was legalized by notarial deed No. 13 of Unik Setyawati, SH; PT Metaindo Pratama, changed its name to PT Siloam Specialis Clinic. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-27758.HT.01.04.TH.2005 dated 7 October 2005.

On 10 November 2005, PT Wisma Jatim Propertindo acquired 96% ownership of PT Menara Perkasa Megah (MPM). MPM owned 85% shares in PT Pelangi Cahaya Intan Makmur (PCIM) and PCIM owned 99.95% shares in PT Surya Mitra Jaya. Up to the date of completing this consolidated financial statements, the amendment of Article of Association of MPM related to the change of shareholders' composition is still in the process of obtaining approval from the Minister of Justice and Human Rights of the Republic of Indonesia.

On 23 November 2005, PT Kemang Village acquired 99.99% ownership of PT Menara Bumi Megah (MBM). MBM owned 80% shares in PT Jaya Usaha Prima (JUP) and JUP has 99.99% share ownership in PT Persada Mandiri Abadi (PMA). PMA owned 99% shares in PT Pesona Indah Lestari, PT Prima Aman Sarana and PT Kemang Multi Sarana. Up to the date of completing this consolidated financial statements, the amendment of Articles of Association of MBM relating to the change of the shareholders' composition is still in the process of obtaining approval from the Minister of Justice and Human Rights of the Republic of Indonesia.

PT Graha Indah Pratama was established under notarial deed No. 12 of Myra Yuwono, SH, dated 15 December 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-34546.HT.01.01.TH.2005 dated 27 December 2005.

PT Sentra Dinamika Perkasa was established under notarial deed No. 13 of Myra Yuwono, SH, dated 15 December 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-34547.HT.01.01.TH.2005 dated 27 December 2005.

PT Tata Prima Indah was established under notarial deed No. 14 of Myra Yuwono, SH, dated 15 December 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-34630.HT.01.01.TH.2005 dated 27 December 2005.

PT Karya Sentra Sejahtera was established under notarial deed No. 15 of Myra Yuwono, SH, dated 15 December 2005. The establishment deed was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-34548.HT.01.01.TH.2005 dated 27 December 2005.

On 20 December 2005, PT Prudential Golf Development changed its name to PT Prudential Development which was legalized by notarial deed No. 92 of Unita Christina Winata, SH, dated 29 December 2005.

On 29 December 2005, PT Sentra Dwi Mandiri acquired 99.98% ownership of Bridgewater International Ltd. (BI) and PT Prudential Development acquired 0.02% ownership of BI. BI owned 100% share in Henley Investments Pte. Ltd, Primerich Investments Pte. Ltd, Lovage International Pte. Ltd and Got Pte. Ltd.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION—

The financial statements are prepared under the historical cost convention, modified to include the revaluation of financial assets and financial liabilities as disclosed where appropriate in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

BASIS OF PRESENTATION—

The financial statements for 2005 have been presented in accordance with International Financial Reporting Standards (IFRS) for the first time. The financial statements have been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering"). The IFRS also require the financial statements of the Company and the comparative financial statements for the Group and the Company. These have not been prepared as they are not required for the purposes for the Prospectus. PT Lippo Karawaci Tbk is listed on the Jakarta and Surabaya Stock Exchanges. The auditors have also reported separately on the consolidated financial statements of PT Lippo Karawaci Tbk for the same period presented in accordance with the generally accepted accounting principles in Indonesia ("Indonesian GAAP"). The auditors' report is dated 1 February 2006. This report was originally issued in Indonesian language. Based on the Indonesian GAAP audited consolidated financial statements, the Management of PT Lippo Karawaci Tbk has made certain adjustments to re-state the consolidated financial statements and to re-present with expanded disclosure of financial information in order to comply with the IFRS. There are significant differences between the Indonesian GAAP and IFRS. The reconciliation of the differences is set out in note 3 below.

The consolidation accounting method is used for the consolidated financial statements which include the financial statements made up to the balance sheet date for the year ended 31 December 2005 of the Company and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights (its subsidiaries including special purpose entities). The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and dividends, are eliminated in full on consolidation. The equity accounting method is used for associates in the Group financial statements. The results of the investees acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

BASIS OF PREPARATION—

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

SUBSIDIARIES—

A subsidiary is an entity including unincorporated and special purpose entities that are controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

ASSOCIATES—

An associate is an entity including an unincorporated entity in which the Company has a substantial financial interest (usually not less than 20% of the voting power), significant influence and that is neither a subsidiary nor a joint venture of the Company. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investments in associates are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the results of operations of the associate. The Group's investment in its associate includes goodwill on acquisition, which is treated in accordance with the accounting policy for goodwill stated below for business combinations. Profits and losses resulting from transactions between the Group and an associate are

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

recognised in the financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

BUSINESS COMBINATIONS—

Business combinations are accounted for by applying the purchase method. The cost of a business combination under purchase method includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed. For negative goodwill a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit and loss. There was no negative goodwill in 2005.

Goodwill arising on acquisitions before the date of transition to IFRS, 1 January 2005, has been retained at the Indonesian GAAP amounts subject to being tested for impairment at the beginning of the year and at the end of the year. Goodwill written off other than through the income statement under Indonesian GAAP prior to 2005 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

MINORITY INTERESTS—

Any minority interest in the acquiree (subsidiary) is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

CASH AND CASH EQUIVALENTS—

Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction. Other financial assets and financial liabilities at fair value through profit and loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

DERIVATIVE FINANCIAL INSTRUMENTS—

The Group uses derivative financial instruments for purposes other than trading to reduce its exposure to fluctuations in foreign currencies and interest rates and to minimize the risk and cost associated with financial and operating activities. Contracts that effectively meet risk reduction and correlation criteria are recorded using hedge accounting. Unrealized gains and losses resulting from market movements are not recognized. Hedges of firm commitments are deferred and recognized when the hedged transaction occurs. The ineffective portion of the fair value changes are recognized in earnings immediately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

TRADE RECEIVABLES—

After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision for doubtful debts. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair value. The amount of the provision is recognised in the income statement. Normally no interest is charged on trade receivables.

LOANS AND OTHER RECEIVABLES—

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held for trading, not designated as available for sale and are not substantially recoverable other than because of credit deterioration which are classified as available for sale. Items with a short duration are not discounted. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loan receivables and trade and other receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date or the operating cycle.

INVENTORIES—

Inventories of properties of the Company, which consist mainly of acquisition cost of land for development, shopping center, residential houses, shophouses, office buildings, and apartments, are measured at the lower of cost and net realisable value. Cost is determined by using the average method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Cost of land under development includes cost of land improvement and development, and capitalised interest and other financing charges obtained to finance the acquisition and development of land until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The cost of residential houses and shophouses consist of actual construction cost.

Consumable inventories are measured at the lower of cost (weighted average method for inventories of healthcare business and first in first out method for inventories of hotel business) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined.

The development projects have operating cycles longer than one year. The Company includes in current assets amounts relating to the long-term contracts realisable over a period in excess of one year.

LAND FOR DEVELOPMENT—

Land not for immediate development is classified as land held for development. Upon commencement of development, the carrying cost of the land is transferred to inventories or property, plant and equipment where appropriate. Land held under development are stated at cost less accumulated impairment loss.

CURRENT INVESTMENTS—

Mutual funds and investments with a quoted market price in an active market and derivatives that are not designated as hedges are classified as financial assets held for trading or those designated at fair value through profit or loss at inception. They are initially measured at fair value plus directly attributable transaction costs and are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date. These are stated at fair value using the portfolio basis. A gain or loss on remeasuring trading financial assets to fair value (other than those relating to hedges) is recognised in the income statement. The transactions are recorded at the trade date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

NON-CURRENT INVESTMENTS—

Investments are classified as available-for-sale financial assets that are non-derivatives and are designated in this category or not classified in any other categories as determined by management at initial recognition and re-evaluated at every reporting date. They are initially measured at fair value, plus directly attributable transaction costs and are classified as non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. At subsequent reporting dates they are stated at fair value by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the management establishes fair value by using valuation techniques. A gain or loss on remeasuring available-for-sale financial assets or liabilities to fair value (other than those relating to hedges) is recognised directly in equity until the financial asset is sold, collected, or otherwise disposed of, or when determined to be impaired, at which time the cumulative gain or loss previously recognised in unquoted equity is included in net profit or loss for the year. Impairment losses recognised in profit or loss for management equity investments classified as available-for-sale are not subsequently reversed through profit or loss but debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The transactions are recorded at the trade date. Unquoted investments are stated at cost less provision for impairment in value because there is no reliable method to determine the fair values of these investments.

HELD-TO-MATURITY INVESTMENTS—

Held-to-maturity investments, such as bonds and promissory notes, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the expressed intention and ability to hold to maturity are initially measured at fair value, plus directly attributable transaction costs and are classified as non-current assets unless the maturities are less than 12 months from the balance sheet date. They are subsequently measured at amortised cost using the effective interest rate method less any impairment loss recognised to reflect irrecoverable amounts. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

PROPERTY, PLANT AND EQUIPMENT—

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of property, plant and equipment. The useful lives of the assets are as follows:

Building, infrastructure and renovations	-	4 to 40 years
Parks and interiors	-	5 years
Golf course and club house	-	20 years
Transportation equipment and vehicles	-	4 to 8 years
Furniture, fixtures and office equipment	-	3 to 10 years
Tools and medical equipment	-	3 to 10 years
Machinery and project equipment	-	3 to 10 years
Bowling machinery	-	10 years
Playground areas	-	5 years
Freehold land and construction in progress	-	Depreciation is not provided

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses except for the revalued items based on government rules. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Unutilised property and equipment are presented as a component of other assets and valued based on the lower of its carrying amount or net realisable value.

Construction in progress represents expenditure incurred directly to infrastructure development and fixed assets preparation. Expenditure include borrowing cost of loan used for developing assets during the construction period. Construction in progress will be transferred to the appropriate property and equipment account when the construction is completed and ready for its intended use.

INTANGIBLE ASSETS—

An intangible asset (other than goodwill) that is an identifiable non-monetary asset without physical substance is recognised at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful life is as follows:

Accounting software	-	5 years

IMPAIRMENT OF NON-FINANCIAL ASSETS—

At each reporting date, an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IMPAIRMENT OF FINANCIAL ASSETS—

All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

ASSETS CLASSIFIED AS HELD FOR SALE—

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. The depreciation on depreciable assets is ceased.

FINANCIAL LIABILITIES—

Financial liabilities including bank and other borrowings when recognised initially are measured at fair value plus, in the case of items not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition these are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LIABILITIES AND PROVISIONS—

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

LEASES AS A LESSEE—

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Gain on sale and leaseback transaction is deferred and amortised over the remaining lives of the leased assets using the straight line method.

SHARE CAPITAL—

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders and no gain or loss is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FAIR VALUE OF FINANCIAL INSTRUMENTS—

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of long-term debts are not disclosed unless there are significant items at the end of the year and are disclosed in the relevant notes.

REVENUE RECOGNITION—

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the entity and it is shown net of related tax, estimated returns, discounts and volume rebates.

(i) Revenue from sale of property is recognised based on stage of completion basis which is measured by reference to the certification by the architect for each project. In addition, significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold and, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset. Dividend revenue from investments is recognised when the shareholder's right to receive the dividend is legally established.

(iii) Revenue from medical service are recognised when medical services are rendered or when medical supplies are delivered to patients.

(iv) Hotel, club membership and restaurant revenues are recognised when services have been rendered. Initiation and membership fees received in advance are presented as deferred income and are recognised as income over the period of membership.

FOREIGN CURRENCY TRANSACTIONS—

The functional currency is the Indonesian Rupiah as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in Indonesian Rupiah at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement.

SINGAPORE DOLLAR FINANCIAL STATEMENTS—

The accompanying Singapore dollar financial statements have been translated for convenience and as a matter of arithmetical computation only. The assets and liabilities are translated at year-end rates of exchange and the income and expense items are translated at average rate of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders' equity. The translation of Rupiah amounts into Singapore dollar amounts for the year ended has been made at the rate of Rp.1 to S$0.000169 (or S$1 to Rp. 5,907) the approximate rate of exchange at the end of the year. The average rate used is Rp.1 to S$0.000171 (or S$1 to Rp. 5,833). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into Rupiah at the above rate or other rate.

FOREIGN CURRENCY FINANCIAL STATEMENTS—

The foreign entities determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the consolidated financial statements the assets and liabilities denominated in currencies other than the functional currency of the Company are translated at year end rates of exchange and the income and expense items are translated at average rates of exchange for the year. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

BORROWING COSTS—

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest rate method. Capitalisation of interest is discontinued when the physical construction or production of a qualifying asset is completed.

INCOME TAX—

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from (a) goodwill for which amortisation is not deductible for tax purposes; or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries and associates because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS—

Short-term employees benefits are recognised at an undiscounted amount when employees have rendered their services to the Group during the accounting period.

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences are recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

Post employment benefit is recognised at discounted amount when the employees have rendered their service to the Group during the accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Group's common practices. In calculating the liabilities, the benefit is discounted by using the projected unit credit method. Termination benefit is recognized when, and only when, the Group is committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

SEGMENT REPORTING—

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

In addition to those disclosed elsewhere in the notes, the critical judgements made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

PROVISION FOR DOUBTFUL DEBTS—

An allowance is for doubtful accounts for estimated losses resulting from the subsequent inability of customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

DEFERRED INCOME TAXES—

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised. The amount at the balance sheet date was Rp 48,449 million or S$ 8,202,000.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT—

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of the specific assets affected by the assumption is Rp 856,111 million or S$ 144,932,000.

ESTIMATED IMPAIRMENT OF GOODWILL—

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates (note 13). If the revised estimated fair value less costs to sell at 31 December 2005 had been 10% lower than management's estimates at 31 December 2005, the Group would need to reduce the carrying value of goodwill by S$620,000. The Group would not be able to reverse any impairment losses that arose on goodwill because reversal is not permitted by IAS 36.

INVENTORY RELATED ALLOWANCES—

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of inventories at the balance sheet date was Rp 19,831 million or S$ 3,357,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INVENTORIES – HOUSE AND LAND DEVELOPMENT—

One of the most important phases for construction contracts relates to estimated costs to complete the developments in process, since that information is used in determining the estimated final gross profit or loss on contracts. Estimated costs to complete involve expectations about future performance, and the management does obtain explanations of apparent disparities between estimates and past performance on project. Because of the direct effect on the estimated gross profit or loss on the contract, management has to estimate that the cost to complete is reasonable. Events and circumstances frequently do not occur as expected. Even if the events anticipated under the assumptions occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material. The carrying amount of the specific assets affected by the assumption is Rp 3,097,940 million or S$ 524,453,000.

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

GENERAL RISK MANAGEMENT PRINCIPLES—

The entity's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS—

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. The management believes that the financial risks associated with these financial instruments are minimal. The cash and cash equivalents and other liquid financial assets are placed with high credit quality institutions. An ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the notes to the financial statements.

OTHER RISKS ON FINANCIAL INSTRUMENTS—

The main risks arising from the entity's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps are not used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards liquidity, the policy has to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short-term flexibility is achieved by overdraft facilities. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the financial statements. The policy is to reduce currency exposures through forward currency contracts or other arrangements. From time to time, there may be borrowings and foreign exchange arrangements or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the liabilities. These arrangements are not used for trading or speculative purposes.

OTHER BUSINESS RISKS AND UNCERTAINTIES—

There is exposure to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors and dependence on essential personnel. The industry is characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the Group.

3. RECONCILIATION BETWEEN INDONESIAN GAAP AND IFRS

This is the first time that the Company has presented its financial statements under IFRS for year ended 31 December 2005. The Group prepares its financial statements using the Indonesian GAAP and has presented its financial statements under Indonesian GAAP to meet the requirements of the Jakarta and Surabaya Stock Exchanges. For the purposes of the Prospectus issued in connection with the Offering, the audited consolidated financial statements of the Group have also been prepared on the basis of IFRS. The accounting policies set out in Note 2 have been applied in preparing the IFRS consolidated financial statements. The effect of the IFRS adjustments to the results for the year ended 31 December 2005 is an increase in net profit for the year of approximately Rp 26,255 million (S$4.5 million) and total equity by approximately Rp 407,379 million (S$69.0 million).

The following are the reconciliation of the balance sheet and income statement prepared under IFRS and Indonesian GAAP for 2005:

	Indonesian GAAP Rp million	Notes below	Adjustments Rp million	IFRS Rp million
ASSETS				
Current assets:				
Cash and cash equivalents	287,628	1	24,575	312,203
Current investments	8,200			8,200
Trade and other receivables	614,953	2(a)	11,861	626,814
Inventories	2,895,978	3	221,793	3,117,771
Assets held for sale	—	4(a)	345,936	345,936
Total current assets	3,806,759			4,410,924
Non-current assets:				
Investments in associates	34,302			34,302
Non-current investments	86,085	1	(24,575)	61,510
Property, plant and equipment	1,182,560	4	(326,450)	856,110
Undeveloped land	876,275	5	95,263	971,538
Goodwill	112,054	6	33,410	145,464
Other intangible assets	210			210
Deferred tax assets	40,651	7	(40,651)	—
Other non-current assets	93,338	8	(29,816)	63,522
Total non-current assets	2,425,475			2,132,656
Total assets	6,232,234			6,543,580
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	689,717	9(d)	669,827	1,359,544
Trade and other payables	1,935,085	9	(814,309)	1,120,776
Current tax payables	224,678			224,678
Current portion of long-term borrowings	139,870			139,870
Obligation under finance leases	447			447
Total current liabilities	2,989,797			2,845,315
Non-current liabilities				
Deferred tax	—	7	48,449	48,449
Long-term borrowings	175,729			175,729
Retirement benefit obligations	83,032			83,032
Total non-current liabilities	258,761			307,210
Total liabilities	3,248,558			3,152,525
Equity:				
Issued capital	1,466,425			1,466,425
Reserves	1,226,209		390,517	1,616,726
Equity attributable to equity holders of the parent	2,692,634			3,083,151
Minority interests	291,042		16,862	307,904
Total equity	2,983,676	10	407,379	3,391,055
Total liabilities and equity	6,232,234			6,543,580

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS OF 31 DECEMBER 2005

	Indonesian GAAP Rp million	Notes below	Adjustments Rp million	IFRS Rp million
CONSOLIDATED INCOME STATEMENT				
Revenue	2,004,951	2(a)(b)	47,270	2,052,221
Cost of sales	(1,005,743)	11	(23,277)	(1,029,020)
Gross profit	999,208			1,023,201
Financial income	36,676			36,676
Financial expense	(59,632)			(59,632)
Distribution costs	(101,508)			(101,508)
Administrative expenses	(360,979)	4(d)	(781)	(361,760)
Other credits/(charges)	17,361	6(c)(i)	10,215	27,576
Share of profit of associates	3,915			3,915
Profit before tax	535,041		33,427	568,468
Income tax expense	(169,880)	7(a)	(7,172)	(177,052)
Profit for the year	365,161		26,255	391,416
Equity holders of the company	358,945		14,793	373,738
Minority interests	6,216		11,462	17,678
	365,161		26,255	391,416

Notes:

(1) Reclassification of time deposits from non-current investments to cash and bank balances.

(2) Revenue from the sale of residential houses, shophouses and other similar types of buildings, including parcel of land are recognised based on completed method under the Indonesian GAAP. For the purpose of IFRS, adjustment is made to change the revenue recognition policy from completed method to stage of completion method to be consistent with the revenue recognition policy of shopping centers. The effect of the adjustments is as follows:

	Rp million Increase / (Decrease) in 2005 profit	Rp million Increase / (Decrease) in 2004 retained earnings	Rp million Total Increase/ (Decrease) in profit
(a) Accrual of trade receivables	11,861	—	11,861
(b) Reversal of customer deposits from other payables account to income statement	35,409	38,352	73,761
	47,270	38,352	85,622
(c) Cost of development charged to income statement	(14,046)	(21,882)	(35,928)
	33,224	16,470	49,694
(d) Tax effect—deferred tax liability	(9,967)	(4,941)	(14,908)
Net profit	23,257	11,529	34,786

(3) The effect of adjustments to the inventories account is as follows:

		Rp million
(a)	In accordance with Indonesian GAAP, certain business under common control are consolidated using a method similar to "pooling of interest method". For the purpose of restatement of Indonesian GAAP audited financial statements to IFRS, the Company changed its policy on consolidation to that of purchase method. Following this, adjustment is made to record inventories purchased at its fair value on the date of acquisition.	270,693
(b)	Reversal of cost of inventories arising from (a) above to income statement on disposals. The effect is as follows :	
	—Decrease in retained earnings as at 31 December 2004	(3,741)
	—Decrease in profit for 2005	(9,231)
(c)	Cost of inventories charged to income statement (see note 2(c)).	(35,928)
		221,793

(4) The effect of adjustments to the property, plant and equipment account is as follows:

		Rp million
(a)	Reclassification of the carrying amount of certain properties to assets held for sale. In December 2005, the company announced to its shareholders that the company will sell and leaseback three hospitals and one hotel cum country club. In accordance with IFRS, these assets are classified as assets held for sale. The transaction is expected to be completed at date of Prospectus.	(345,936)
(b)	In accordance with the Indonesian GAAP, assets acquired under common control are recorded on historical cost basis. For the purpose of IFRS, the purchase method is used instead. Consequently, assets acquired are recorded at its fair value at the date of acquisition. Adjustment is made to record the fair value of the property, plant and equipment acquired in the prior years.	13,879
(c)	Reclassification of certain assets from other assets to property, plant and equipment to better reflect the substance of the transactions.	6,388
(d)	Depreciation for the effect in (b) and (c) above.	(781)
		(326,450)

(5) The effect of adjustments to the undeveloped land account is as follows:

		Rp million
(a)	In accordance with Indonesian GAAP, certain business under common control are consolidated using a method similar to "pooling of interest method". For the purpose of restatement of Indonesian GAAP audited financial statement to IFRS, the Company changed its policy on consolidation to that of purchase method. Following this, adjustment is made to record undeveloped land purchased at its fair value on the date of acquisition.	95,263

(6) Goodwill

(a) In accordance with the Indonesian GAAP, goodwill is amortised on the straight-line basis over 20 years. IFRS 3 Business Combination prohibits the amortisation of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with IAS 36 Impairment of Assets. The excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost is accounted as negative goodwill and it is recognised in the income statement.

(b) In accordance with Indonesian GAAP, no goodwill is recorded for certain business combinations deemed under common control as the consolidation is based on a method similar to 'pooling of interest method'. The Company changed the accounting policy under IFRS for which business combinations in relation to these transactions are accounted for by applying the purchase method.

(c) The net effect to the equity and results of Group and the net increase in goodwill of the Group arising from (a) and (b) above are as follows:

	Rp million		
	Increase/ (Decrease) in retained earnings as at 31 December 2004	**Increase/ (Decrease) in goodwill as at 31 December 2005**	**Increase in 2005 profit**
(i) Write back of amortisation of goodwill during the year.	—	10,215	10,215
(ii) "Negative goodwill" accounted for in other payables in prior years being adjusted to retained earnings.	66,721	—	—
(iii) "Negative goodwill" accounted for in goodwill account in prior years being adjusted to retained earnings.	23,195	23,195	—
	89,916	33,410	10,215

(7) The effect of adjustments to deferred tax account is as follows:

	Rp million
(a) Deferred tax liabilities recognised as a result of additional income recognised following the change of revenue recognition policy (see note 2), adjustment on the cost of inventories (see note (3)) and additional depreciation charged (see note 4). The effect is as follows:	
—Decrease in retained earnings as at 31 December 2004	3,818
—Decrease in profit for 2005	7,172
(b) Deferred tax liabilities arising from the recording of fair values at the date of acquisition of assets.	80,764
(c) Adjustment to account for the deferred tax effect arising from adjustment 8(a) below	(2,654)
Net adjustments	89,100
Deferred tax assets as at 31 December 2005	(40,651)
Adjusted deferred tax liabilities under IFRS	48,449

(8) The effect of adjustments to other non-current assets is as follows:

	Rp million
(a) Adjustment to account for certain expenditure in the income statement. These expenditure are capitalised under Indonesian GAAP but they are not permitted under IFRS.	(8,847)
(b) Reclassification of certain assets to property, plant and equipment (see 4(c)).	(6,388)
(c) Reversal of cost of club membership to deferred income as sale of the club membership has not been completed.	(4,000)
(d) Adjustment to reclass certain assets to undeveloped land following the change of accounting policy of business combinations (see 5(a)).	(10,581)
	(29,816)

(9) The effect of adjustments to trade and other payables account is as follows:

		Rp million
(a)	Reversal of "negative goodwill" accounted for in other payables to retained earnings (see 6(c)(ii)).	(66,721)
(b)	Reversal of customer deposits to revenue (see 2 (b)).	(73,761)
(c)	Adjustment to offset cost of club membership with deferred income. (see 8(c)).	(4,000)
(d)	Reclassification of payables on "Kavling Serasi" to short-term borrowings to better reflect the substance of the transaction.	(669,827)
		(814,309)

(10) The effect of adjustments to equity is as follows:

		Rp million
(a)	Adjustments to record the deferred tax, paid in surplus and fair values of certain assets at the date of acquisition following the change of accounting policy of business combinations (see 3, 4 and 5) and change in revenue recognition policy (see 2).	46,156
(b)	Reversal of negative goodwill accounted for in other payables (see 6).	89,916
(c)	Adjustment to account for certain expenditure in the income statement. These expenditure are capitalised under Indonesian GAAP but they are not permitted under IFRS.	(6,193)
(d)	Adjustment to record the paid in surplus at the date of acquisition following the change of accounting policy of business combinations (see 3, 4, 5 and 6).	253,864
(e)	Cost of inventories, net of tax charged to prior year's retained earnings (see 3(b)).	(2,619)
Net	effect of IFRS adjustments to equity as at 31 December 2004	381,124
(f)	The effect of adjustments to the consolidated income statement for the year ended 31 December 2005.	26,255
		407,379

(11) The effect of the adjustments to the cost of sales account is as follows:

		Rp million
(a)	Adjustment to account for the cost of sale of development properties following the change of the accounting policies from completion method to stage of completion method (see 2(c)).	14,046
(b)	Cost of inventories charged to income statement (see 3(b)).	9,231
		23,277

4. RELATED PARTY TRANSACTIONS

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

4.1 *Related parties:*

Transactions with related parties mainly consists of trade receivables, advances and charges, placement in current accounts, investments and loans. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless otherwise disclosed. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the cost of borrowing less the interest rate if any provided in the agreement for the balance.

Intragroup transactions and balances that have been eliminated in the consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related parties transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Balances	Rp million	S$'000
Cash and cash equivalent		
PT Bank Lippo Tbk	102,209	17,303
Investments (Promissory notes)		
PT AsiaNet Multimedia	2,911	493
Account receivables		
PT Bumi Lemahabang Permai	10,107	1,711
Employees and directors	7,657	1,296
PT Lippo Indorent	89	15
PT Tunggal Griya Semesta	577	98
PT Duta Mas Kharisma Indah	4,892	828
Others	10,869	1,840
Total	34,191	5,788
Less : Provision for doubtful debts	(13,870)	(2,348)
Net	20,321	3,440

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS OF 31 DECEMBER 2005

	Rp million	S$'000
Bank borrowings		
PT Bank Lippo Tbk	112,676	19,075
Accounts payables		
PT Bintang Mulya Darmabakti	8,376	1,418
PT Bumi Lemahabang Permai	10,336	1,749
PT Dunia Air Indah	3,791	643
PT Gita Multi Sarana	8,677	1,468
PT Cahaya Harapan	2,800	475
PT Adiprima Karya Nusantara	2,557	433
Others (each below Rp 500 million)	4,234	716
Total	40,771	6,902
Advance from customer		
PT Matahari Putra Prima Tbk	362,360	61,344

Transactions	Rp million	S$'000	Nature of Transactions
PT Bank Lippo Tbk	155,308	26,292	Current accounts, time deposits, loans and interest income (expense)
PT Ciptadana Sekuritas	2,238	379	Security account, interest income and purchases of promissory note
PT Matahari Putra Prima Tbk	362,359	61,344	Purchases, advance management fee and accounts receivable
PT Bumi Lemahabang Permai	191	32	Non-interest bearing of intercompany charges, deposit in connection with the cancellation of land
PT Pacific Utama Tbk	2,122	359	Administration agent of promissory note and "Kavling Serasi"
PT Sharestar Indonesia Tbk	284	48	Professional fee, security administration
PT Cahaya Harapan	7,729	1,308	Intercompany advances and investment
PT AsiaNet Multimedia	2,800	474	Promissory note

4.2 *Key management compensation:*

	Rp million	S$'000
Salaries and other short-term employee benefits	35,513	6,088
Post-employment benefits	2,811	482
	38,324	6,570

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	Rp million	S$'000
Remuneration of directors of the Company	12,870	2,206
	12,870	2,206

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly.

5. CASH AND CASH EQUIVALENTS

	Rp million	S$'000
Maturity less than 3 months		
Cash in hand		
—Foreign currency	4,270	723
Cash in banks		
—Rupiah	55,236	9,350
—Foreign currency	1,281	218
Time deposits		
—Rupiah	222,555	37,677
—Foreign currency	28,861	4,885
Cash and cash equivalents in the balance sheet	312,203	52,853
Less: Time deposit matured more than 3 months but less than 1 year	(24,575)	(4,160)
Cash and cash equivalents in the cashflow statement	287,628	48,693

Time Deposits:	
Interest Rates	
Rupiah	5% - 10%
Foreign Currency	0.35% - 4%
Maturity Period	1 - 5 Months

The interest rates approximate the weighted effective interest rate. There is no restriction in the cash above. Foreign currency is mainly in United States dollars.

6. TRADE AND OTHER RECEIVABLES

	Rp million	S$'000
Trade receivables		
Third parties	534,695	90,519
Less provision for doubtful debts	(44,451)	(7,525)
	490,244	82,994
Related parties (Note 4)	1,248	211
Less provision for doubtful debts	(204)	(35)
	491,288	83,170
Other receivables and prepayments:		
Third parties	56,772	9,611
Less provision for doubtful debts	(6,316)	(1,069)
	50,456	8,542
Related parties (Note 4)	32,943	5,577
Less provision for doubtful debts	(13,666)	(2,313)
	19,277	3,264
Prepaid taxes and other prepayments	20,160	3,413
Purchase advances	45,633	7,724
Total trade and other receivables	626,814	106,113
Movements in above provision:		
Balance at beginning of year	68,518	12,052
Exchange translation differences	—	(416)
Provision for trade receivables charged to income statement as finance expense	1,175	173
Reversal of provision for other receivables to income statement as finance income	(5,056)	(867)
Balance at end of year	64,637	10,942

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

As at the balance sheet date, the total receivables in respect of housing and land development projects are Rp 455,323 million (S$ 77.1 million).

The trade receivables schedule from the date of the invoice is as follows:

	Rp million	S$'000
Third Parties		
Up to 3 months	357,312	60,489
> 3 months—6 months	118,800	20,112
> 6 months—1 year	5,251	889
> 1 year	53,332	9,029
Total	534,695	90,519
Less: Provision for doubtful debts	(44,451)	(7,525)
Total Receivable from third parties—Net	490,244	82,994
Related Parties		
Up to 3 months	974	165
> 1 year	274	46
Total	1,248	211
Less: Provision for doubtful debts	(204)	(35)
Total receivable from related parties—Net	1,044	176
Total	491,288	83,170

Trade receivables up to 25% credit limit of a subsidiary have been pledged for a loan obtained from PT Bank Agroniaga Tbk (Note 18).

Other receivables—These are for various items including (a) for receivables from the sale of units/ kiosks at Metropolis Town Square; (b) receivables of maintenance, security and electricity and water; (c) receivables from providing security services in Lippo Kawaraci area; and (d) others.

7. INVENTORIES

	Rp million	S$'000
House and land development:		
Land under development	2,468,506	417,895
Shopping center	437,718	74,102
Shophouses and residential houses	160,247	27,129
Office building and apartments	25,460	4,310
Others	6,009	1,017
	3,097,940	524,453
Healthcare and hospitals:		
Medical supplies		
—Pharmaceutical	12,242	2,072
—Non-pharmaceutical	3,165	536
—Non-medical supplies	726	123
	16,133	2,731
Infrastructure and hospitality:		
Hotel and restaurant	3,067	519
Recreation and sports	305	52
Others	365	62
Less: allowance for decline in inventories value	(39)	(7)
	3,698	626
Total Inventories	3,117,771	527,810

Interest and other borrowing costs capitalised into land under development amounted to Rp 301,864 million (S$ 51,102,000) for the year ended 31 December 2005.

As of 31 December 2005, land under development consisted of land covering a net area of approximately 44 hectares in Kelapa Dua and Bencongan village, 11 hectares in Jalan Lingkar Luar Barat—Puri Kembangan, 21 hectares in West Panunggangan village, 32 hectares in Binong village, 2 hectares in Kelapa Indah village, 45 hectares in Bonang village, 3 hectares in Sukanagalih village, 5 hectares in Pondok Jagung village, 266 hectares in Cibatu village, 26 hectares in Serang village, 66 hectares in Sukaresmi village and 256 hectares in Cicau village, 57 hectares in Kelurahan Tanjung Merdeka, 27 hectares in Kelurahan Macini Sombala, 16 hectares in Tamanyeleng village, 32 hectares in Kelurahan Barombong, and 14 hectares in Kecamatan Mariso.

The land under development with area of 221,983 sqm are pledged as collateral of PT Pendopo Niaga, PT Sentra Asritama Realty Development, PT Muliasentosa Dinamika, and the Company for loans obtained from PT Bank Agroniaga Tbk, PT Bank Danamon Indonesia Tbk, PT Bank Niaga Tbk and PT Bank Lippo Tbk (see Note 18). Part of medical supplies and non-medical supplies are pledged as collateral by PT East Jakarta Medika for loans obtained from PT Bank Permata Tbk (see Note 18). Land under development with area of ± 38.9 hectares are reserved for "Kavling Serasi" Product.

The Group's inventories have been insured against all risks, with the sum insured of Rp 259,060 million (S$43.9 million) and USD 300,000 as of 31 December 2005.

8. ASSETS HELD FOR SALE

	Rp million	S$'000
Land and building at cost	345,936	58,564

On 30 December 2005, the Company announced to its shareholders that the Company will sell and lease back 3 hospitals and one hotel. Following this, these assets are classified as assets held for sale. The sale and lease back transaction is expected to be completed at the date of the Prospectus.

9. INVESTMENTS IN ASSOCIATES

	2005					
	Percentage of Ownership %	Acquisition Cost Rp million	Accumulated Equity in Net Earnings (Losses) Rp million	Additional Investment Rp million	Dividend Received Rp million	Carrying Value Rp million
Equity Method						
PT Multifiling Mitra Indonesia	49.81	500	16,185	—	(1,000)	15,685
PT Hyundai Inti Development	45.00	6,155	48,840	—	(47,520)	7,475
PT Nusa Medika Perkasa	21.91	2,500	178	—	—	2,678
PT Tritunggal Sentra Utama	20.00	583	1,785	—	—	2,368
PT Lippo Indorent	40.00	200	(268)	1,253	—	1,185
PT Lippo Hyundai Development	50.00	16,217	(16,217)	—	—	—
PT Bumi Lemahabang Permai	30.00	37	(37)	—	—	—
Cost Method*		4,911	—	—	—	4,911
Total		31,103	50,466	1,253	(48,520)	34,302

	2005					
	Percentage of Ownership %	Acquisition Cost S$'000	Accumulated Equity in Net Earnings (Losses) S$'000	Additional Investment S$'000	Dividend Received S$'000	Carrying Value S$'000
Equity Method						
PT Multifiling Mitra Indonesia	49.81	85	2,740	—	(169)	2,656
PT Hyundai Inti Development	45.00	1,042	8,268	—	(8,045)	1,265
PT Nusa Medika Perkasa	21.91	423	30	—	—	453
PT Tritunggal Sentra Utama	20.00	99	302	—	—	401
PT Lippo Indorent	40.00	34	(45)	212	—	201
PT Lippo Hyundai Development	50.00	2,745	(2,745)	—	—	—
PT Bumi Lemahabang Permai	30.00	6	(6)	—	—	—
Cost Method*		831	—	—	—	831
Total		5,265	8,544	212	(8,214)	5,807

The summarised financial information on the investments in associates is as follows:

	2005					
	Percentage of Ownership %	**Investment Rp million**	**Asset Rp million**	**Liabilities Rp million**	**Revenue Rp million**	**Net Profit Rp million**
Equity Method						
PT Multifiling Mitra Indonesia	49.81	15,685	33,936	2,440	16,667	6,328
PT Hyundai Inti Development	45.00	7,475	—	—	—	—
PT Nusa Medika Perkasa	21.91	2,678	—	—	—	—
PT Tritunggal Sentra Utama	20.00	2,368	14,827	234	7,002	1,069
PT Lippo Indorent	40.00	1,185	3,751	788	2,648	12
PT Lippo Hyundai Development	50.00	—	—	—	—	—
PT Bumi Lemahabang Permai	30.00	—	7,567	43,799	—	—
Cost Method*		4,911	5,270	2,095	—	(544)
Total		34,302	65,351	49,356	26,317	6,865

	2005					
	Percentage of Ownership %	**Investment S$'000**	**Asset S$'000**	**Liabilities S$'000**	**Revenue S$'000**	**Net Profit S$'000**
Equity Method						
PT Multifiling Mitra Indonesia	49.81	2,656	5,745	413	2,822	1,071
PT Hyundai Inti Development	45.00	1,266	—	—	—	—
PT Nusa Medika Perkasa	21.91	453	—	—	—	—
PT Tritunggal Sentra Utama	20.00	401	—	—	—	—
PT Lippo Indorent	40.00	201	635	133	448	2
PT Lippo Hyundai Development	50.00	—	—	—	—	—
PT Bumi Lemahabang Permai	30.00	—	1,281	7,415	—	(326)
Cost Method*		830	892	354	—	(92)
Total		5,807	8,553	8,315	3,270	655

* Relates mainly to investments in other associates that are inactive as at the balance sheet date.

All the associates are incorporated and operate in Indonesia.

Based on the notarial deed of Shareholders' General Meeting Resolution No. 56 of Popie Savitri Martosuhardjo Pharmanto, SH, dated 12 December 2004, PT Lippo Indorent has converted the shareholders loan into its additional paid in capital.

Investments in PT Dunia Air Indah, PT Adnansindo Intiprima, PT Tunas Pundi Bumi, PT Swadaya Teknopolis, PT Gunung Cermai Batamin, PT Ilmu Intiswadaya, PT Bekasi Mega Power, PT Sentra Star Dinamika, PT Siloam Hospitals and PT Serasi Adikarsa are reported under cost method considering those companies have not started commercial operation.

10. INVESTMENTS

	Rp million	S$'000
Current investments:		
Promissory notes (Note a)		
—Held to maturity	8,200	1,388
Total current investments	8,200	1,388
Non-Current investments:		
Investment in equity (Note b)		
—Available-for-sale	58,405	9,887
Promissory notes (Note a)	2,911	493
Mutual funds—Held to maturity	194	33
Non-Current investments	61,510	10,413
Total investments	69,710	11,801
a) Promissory notes		
—Related party (Note 4)	2,911	493
—Third parties	8,200	1,388
	11,111	1,881

Promissory notes from a related party, PT AsiaNet Multimedia, earned an annual effective interest rate of 7%. These promissory notes will mature on 22 February 2007.

Promissory notes from third parties earned an annual effective interest rate of 15%. These promissory notes will mature on 15 February 2006.

Management is of the view that the carrying value of the promissory notes approximates the fair value as at the balance sheet date.

	Rp million	S$'000
b) Investment in equity at cost		
—PT East Jakarta Industrial Park	767	130
—PT Spinindo Mitradaya	160	27
—PT Bahana Dana Prima	2	1
—PT Supermall Karawaci (note ii)	57,373	9,713
—Others	103	16
Total	58,405	9,887

(i) The investment is mainly in unlisted companies. The fair value of these investments cannot be reliably measured as there is no readily available market information for which the company may obtain to assess the range of reasonable fair value. In addition, the probabilities of various estimates cannot be reasonably assessed.

(ii) On 3 November 2004 a subsidiary, acquired 10% ownership of PT Supermall Karawaci through purchase of shares owned by Rodamco Indonesia B.V (RI). The acquisition was in line with the terms stipulated in agreement dated 15 June 1999 between Rodamco Indonesia B.V. and ex Lippo Land "Merged Company", Cromwell Investment Ltd, a subsidiary, PT Larasati Anugrerah, a subsidiary, Rodamco Pasific B.V., Golden Mile Finance B.V., and PT Supermall Karawaci.

11. PROPERTY, PLANT AND EQUIPMENT

	Beginning Balance	Additions	Deductions	Reclassification	Ending Balance	Beginning Balance	Additions	Deductions	Reclassification	Exchange Translation Difference	Ending Balance
	in Rp million					in S$'000					
Acquisition Cost											
Direct Ownership											
Land	369,082	—	—	(143,154)	225,928	64,922	—	—	(24,235)	(2,440)	38,247
Building, Infrastructure and Renovations	659,096	3,290	455	(273,885)	388,046	115,936	564	78	(46,314)	(4,415)	65,693
Parks and Interiors	4,122	73	75	—	4,120	725	13	13	—	(28)	697
Golf Course and Club House	159,866	446	—	—	160,312	28,121	76	—	—	(1,058)	27,139
Transportation Equipment and Vehicles	25,276	1,024	3,748	160	22,712	4,446	176	643	27	(161)	3,845
Furniture Fixtures and Office Equipment	146,025	14,219	562	7,261	166,943	25,673	2,438	93	1,245	(1,001)	28,262
Tools and Medical Equipment	162,592	29,762	2,227	(44)	190,083	28,600	5,102	381	(8)	(1,134)	32,179
Machinery and Project Equipment	70,800	1,039	117	6,362	78,084	12,454	178	20	1,091	(484)	13,219
Bowling Machinery	14,247	31	—	—	14,278	2,506	5	—	—	(94)	2,417
Children's Playgrounds	3,122	—	—	—	3,122	549	—	—	—	(20)	529
	1,614,228	49,884	7,184	(403,300)	1,253,628	283,932	8,552	1,228	(68,194)	(10,835)	212,227
Assets under Capital Lease	4,445	—	—	178	4,623	782	—	—	30	(29)	783
Construction in Progress	32,049	51,830	—	(38,254)	45,625	5,637	8,886	—	(6,557)	(241)	7,725
Total Acquisition Cost	1,650,722	101,714	7,184	(441,376)	1,303,876	290,351	17,438	1,228	(74,721)	(11,105)	220,735
Accumulated Depreciation											
Direct Ownership											
Building, Infrastructure and Renovations	123,423	29,388	112	(95,441)	57,258	21,715	5,038	19	(16,157)	(879)	9,698
Parks and Interiors	2,651	445	38	—	3,058	467	75	7	—	(18)	517
Golf Course and Club House	61,650	9,892	—	—	71,542	10,844	1,696	—	—	(428)	12,112
Transportation Equipment and Vehicles	19,924	2,800	3,743	250	19,231	3,505	480	642	—	(131)	3,212
Furniture Fixtures and Office Equipment	108,374	15,868	506	(249)	123,487	19,063	2,720	87	43	(748)	20,991
Tools and Medical Equipment	97,970	18,832	1,854	—	114,948	17,233	3,229	318	(43)	(684)	19,417
Machinery and Project Equipment	34,920	8,809	103	(1)	43,625	6,142	1,510	18	—	(249)	7,385
Bowling Machinery	8,825	1,425	—	—	10,250	1,552	244	—	—	(61)	1,735
Children's Playgrounds	3,122	—	—	—	3,122	549	—	—	—	(20)	529
	460,859	87,459	6,356	(95,441)	446,521	81,070	14,992	1,091	(16,157)	(3,218)	75,596
Assets under Capital Lease	679	566	—	—	1,245	115	97	—	—	(5)	207
Total Accumulated Depreciation	461,538	88,025	6,356	(95,441)	447,766	81,185	15,089	1,091	(16,157)	(3,223)	75,803
Book Value	1,189,184			(345,935)	856,110	209,166			(58,564)		144,932

	Rp million	S$'000
Net book value of assets under finance lease		
At end of year	3,378	572

Depreciation expenses are allocated as follows:

	Rp million	S$'000
Cost of sales	28,421	4,872
Distribution costs	989	170
Administrative expenses	58,615	10,047
	88,025	15,089

Certain medical equipment of ex Siloam, all medical equipment, machinery and office equipment of PT East Jakarta Medika, a subsidiary, land and building with its supporting facilities of Imperial Aryaduta Makassar Hotel and land and building of Aryaduta Hotel Jakarta were pledged as collateral for loans obtained by the Company and subsidiaries from PT Bank Bukopin, PT Bank Bumiputera Indonesia Tbk, PT Bank Permata Tbk, PT Bank International Indonesia Tbk and PT Bank Lippo Tbk (see Note 18).

All the Company's and subsidiaries' property and equipment have been insured against fire damage and other risks, with sums insured of Rp 740,048 million (S$125.3 million) and USD 22.4 million as of 31 December 2005.

The details of the disposal of property, plant and equipment are as follows:

	Rp million	S$'000
Acquisition cost	7,184	1,232
Accumulated depreciation	(6,356)	(1,090)
Book value	828	142
Written off - book value	(321)	(55)
Selling price	3,793	650
Gain on disposal taken to other credit account in income statement	3,286	563

12. UNDEVELOPED LAND

	Rp million	S$'000
The Company	196,844	33,324
Subsidiaries	774,694	131,148
	971,538	164,472

Undeveloped land of the Group are located at Curug Wetan, Curug Kulon village, Sukabakti in Curug district, Serdang Wetan village, Rancagong in Legok district; Ciakar village, Serdang Kulon, Cukang Galih, Tangerang Regency, West Java; Cipambuan village in Citeureup district, Bogor Regency, West Java; Sukaresmi, Cibatu, Cicau, Sukamukti, Sirnajati, Jayamukti, Pasirsari in Lemahabang district, South Cikarang; Tanjung Merdeka village, Barombong, Maccini Sombala, Tamanyeleng, Mariso, Benteng and Somba Opu in Makassar, South Sulawesi.

Site development permits of each land was obtained from their respective local governors.

Land of PT Gowa Makassar Tourism Development Tbk (GMTD), a subsidiary, with area of ± 187,480 sqm is pledged as collateral for loan obtained from PT Bank Agroniaga Tbk (see Note 18).

In 2005, certain undeveloped land of PT Lippo Cikarang Tbk and GMTD, subsidiaries, and all of undeveloped land of PT Mandiri Cipta Gemilang, a subsidiary, were transferred to inventory.

13. GOODWILL

	Rp million	S$'000
At beginning of year	124,983	21,158
Arising from acquisition of subsidiaries	20,481	3,467
At end of year	145,464	24,625

In 2005, goodwill is from the acquisition of PT Jagat Pertala Nusantara by PT Lippo Vacation, a subsidiary, for Rp 17,621 million; acquisition of PT Menara Perkasa Megah by PT Wisma Jatim Propertindo, a subsidiary, for Rp 1,152 million; and acquisition of PT Menara Bhumimegah by PT Kemang Village, a subsidiary, for Rp 1,708 million. Fair value of the liabilities of these subsidiaries of Rp14,959 million were assumed by the Group. The contributions from these real estate subsidiaries acquired during the year between the dates of acquisition and the balance sheet date were insignificant.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segments as follows:

	Housing and land development	Healthcare and hospitals	Hospitality	Consolidated
Cost as at 31 December 2005 in Rp million	145,464	—	—	145,464
Cost as at 31 December 2005 in S$'000	24,625	—	—	24,625

The goodwill was tested for impairment at the beginning and the end of the year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell or its value in use. The recoverable amount of the assets has been determined based on fair value less costs to sell because these are property dealing and holding companies.

The fair value at the end of the year was determined by PT Penilai, a firm of independent professional valuers, on their reports dated 1, 21, 24 and 28 February 2006 on the assets for which the goodwill is allocated. The key assumptions of the valuation are as follows:

1.	Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the assets.	16%
2.	Growth rates per year based on industry growth forecasts.	8% - 14%
3.	Valuation methodology used.	Income approach, land development approach, sales comparison approach, depreciated replacement cost approach.

Based on the valuation, the management has determined that the recoverable amount of the assets has exceeded the carrying value of the non-financial assets and the goodwill allocated.

14. OTHER INTANGIBLES

	Rp million	S$'000
Acquisition cost of software		
Cost:		
At beginning of year 1 January 2005	667	114
Additions	79	13
Exchange translation differences	—	(1)
At end of year 31 December 2005	746	126
Accumulated amortisation:		
At beginning of year 1 January 2005	369	62
Amortisation for the year	167	29
Exchange translation differences	—	(1)
At end of year 31 December 2005	536	90
Net book value:		
At end of year 31 December 2005	210	36

15. OTHER NON-CURRENT ASSETS

	Rp million	S$'000
Project advances	13,286	2,249
Restricted funds	4,532	767
Deferred charges	9,566	1,619
Others	36,138	6,119
	63,522	10,754

Project advances mainly relate to advances to Contractors for the development of certain projects.

16. TRADE AND OTHER PAYABLES

	Rp million	S$'000
Trade payables:		
Third parties	195,368	33,074
Related parties (Note 4)	40,771	6,902
Accrued liabilities	166,014	28,105
	402,153	68,081
Other payables:		
Forward exchange contracts	1,549	262
Deferred income	34,975	5,921
Advances from related parties (Note 4)	362,360	61,344
Advances from customers	90,487	15,319
Deferred gain on sales and leaseback	1,748	296
Other tax payables	82,923	14,038
Others	144,581	24,476
Total trade and other payables	1,120,776	189,737

The average credit period taken to settle trade payables is about 60 days. The other payables are with short-term durations. The notional amount is deemed to reflect the fair value.

On 21 December 2005 the Company entered into a forward foreign exchange facility agreement with PT Bank Niaga Tbk amounting to USD 50,000,000 for hedging loan obtained from Raiffeisen Zentralbank Oesterreich AG (RZB), Singapore Branch. The tenor of the facility is for the maximum 9 (nine) months or on the maturity date of credit facility obtained from RZB, whichever is the earlier (see Note 18). As of 31 December 2005 the unrealised loss amounted to Rp 1,549,295,775 (S$262,000).

17. INCOME TAX

a. Income tax expense

	Rp million	S$'000
Current	162,670	27,888
Deferred	14,382	2,465
Total income tax expense	177,052	30,353

The income tax expense varied from the amount of income tax expense determined by applying the Indonesian income tax rate of 30.0 % to profit before income tax as a result of the following differences:

	Rp million	S$'000
Profit before tax	568,468	97,457
Income tax expense at the statutory rate	170,540	29,237
Non-(taxable)/allowance items, net	16,350	2,803
Prior years' tax loss carry forwards utilised	(5,326)	(913)
Over provision for prior years	(4,512)	(774)
Total income tax expense	177,052	30,353

b. Deferred tax assets/(liabilities)

Details of deferred tax assets and liabilities are as follows:

	Balance sheet		Net change in income statement	
	Rp million	S$'000	Rp million	S$'000
Deferred tax assets				
Estimated liabilities on employees' benefits	24,617	4,167	5,337	915
Accumulated losses	19,115	3,236	(18,959)	(3,250)
Provision for doubtful accounts	15,611	2,643	(787)	(135)
Depreciation	540	91	329	56
Amortisation of deferred income	524	89	(32)	(5)
Others	1,633	277	12	2
	62,040	10,503	(14,100)	(2,417)
Deferred tax liabilities				
Revaluation reserve and others	(89,100)	(15,084)	(7,172)	(1,230)
Amortisation of deferred expense	(960)	(162)	91	16
Depreciation	(17,573)	(2,975)	1,469	252
Allowance for deferred tax assets	(223)	(38)	5,326	913
Others	(2,633)	(446)	4	1
	(110,489)	(18,705)	(282)	(48)
	(48,449)	(8,202)	(14,382)	(2,465)

It is impracticable to estimate the deferred tax amount that will be utilised within a year.

18. BORROWINGS

	Rp million	S$'000
Short-term borrowings	1,359,544	230,158
Current portion of long-term borrowings	139,870	23,679
Long-term borrowings	175,729	29,749
Total borrowings	1,675,143	283,586
Classified into:		
Third parties		
—Bank	793,149	134,273
—Non Bank	769,318	130,238
Related parties (Note 4)		
—Bank	112,676	19,075
Total borrowings	1,675,143	283,586

The details are as follows:

	Effective interest rate (%)	Carrying value	
		Rp million	S$'000
Third Parties			
Bank			
a. Raiffeisen Zentralbank Oesterreich AG, Singapore (USD 50,000,000) (vi)	7.03	491,500	83,206
b. PT Bank Niaga Tbk (vii)	12.90	181,000	30,642
c. PT Bank Bukopin (i)	14.42	46,466	7,866
d. PT Bank Agroniaga Tbk (ii)	13.95	45,766	7,748
e. PT Bank Permata Tbk (iv)	13.75	13,542	2,293
f. PT Bank Danamon Indonesia Tbk (iii)	18.25	6,600	1,117
g. PT Bank Internasional Indonesia Tbk (v)	16.32	8,273	1,401
		793,147	134,273
Non Bank			
h. Kavling Serasi (x)	13.50	669,827	113,395
i. Promissory Notes Corfina Finance Limited (including USD 452,973) (viii)	USD: 3.40 Rp: 14.00	27,482	4,652
j. Promissory Notes (viii)	12.30	72,011	12,191
		769,320	130,238
Sub Total Third Parties		1,562,467	264,511
Related Parties			
Bank			
k. PT Bank Lippo Tbk (ix)	USD: 6.25 Rp: 15.00	112,676	19,075
Sub Total Related Parties		112,676	19,075
Total borrowings		1,675,143	283,586

The borrowings are repayable as follows :		
Below 6 months	976,200	165,262
Within 6 to 12 months	523,214	88,575
Within 1 to 5 years	175,729	29,749
Total borrowings	1,675,143	283,586

As at the balance sheet date, the management is of the view that the carrying values of the borrowings approximate their fair value as the interest rates are generally repriced regularly to market interest rates.

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows :

(i) PT Bank Bukopin

The loan from PT Bank Bukopin has a maximum limit of Rp 60,000,000,000. This loan is secured by certain land with area of approximately 12,840 sqm and the Company's medical equipment (see Note 11). This loan bears an annual interest rate of 16% in 2005, and will be due on 15 August 2008, including a 12 (twelve) months' grace period.

(ii) PT Bank Agroniaga Tbk

- In 2003, PT Muliasentosa Dinamika (MSD), a subsidiary, obtained a Fixed Installment Loan facility of Rp 30,000,000,000 carrying an interest rate of 15%-17%, which was used to complete the construction of shophouses and shopping center of WTC Matahari, Serpong. The outstanding balance of the loan amounted to Rp 12,500,000,000 as of 31 December 2005.

  According to the loan agreement dated 10 September 2003, which was ammended by loan agreement No. 127, this loan will mature on 15 February 2006, and was secured by 2 (two) pieces of land under the Rights to Build (HGB) No. 04818/Pondok Jagung of 39,925 sqm and HGB No. 04817/Pondok Jagung of 2,775 sqm, which are registered under the name of PT Muliasentosa Dinamika. Based on the agreement, MSD should use Coldwell Banker as the property agent and the building management of shophouses and shopping center of WTC Matahari Serpong (see Note 7 on inventories).

- Based on the letter No. 278/Dir.01/VI/2004 dated 15 June 2004, PT Gowa Makassar Tourism Development Tbk, a subsidiary, obtained an approval of a Fixed Installment Loan facility with a maximum limit of Rp 24,200,000,000 for the period of 4 (four) years and bear annual interest rate of 14.5%. This loan was secured by land of approximately 187,480 sqm, 11 (eleven) operational vehicles, office equipment, and receivables with maximum of 25% of the loan limit. The first installment commenced from July 2004. On 31 December 2005, the outstanding balance of this loan was Rp 16,600,000,000.

- In 2005, PT Pendopo Niaga (PN), a subsidiary, obtained a Fixed Installment Loan facility of Rp 25,000,000,000 and carrying an interest rate of 14.25%, which was used to refinance the development of Malang Town Square. The outstanding balance of the loan as of 31 December 2005 amounted to Rp 16,666,666,400. According to the loan agreement dated 21 March 2005, this loan will mature on 31 March 2007, and was secured by 2 (two) pieces of land under Rights to Build (HGB) No. 289/Penanggungan of 3,272 sqm and HGB No. 290/Penanggungan of 15,336 sqm, both are registered under the name of PN.

(iii) PT Bank Danamon Indonesia Tbk

Based on Credit Agreement No. 19 dated 22 December 2005 the Company obtained the following loan facilities:

a. Installment Loan facility 1 (non revolving) with maximum amount of Rp 4,900,000,000 and bears an interest rate equal to SBI plus 5.5% per annum, with maximum term of 42 months without grace period commencing from 22 December 2005 and will due on 22 June 2009. This loan was used to finance the Company's investment.

b. Installment Loan facility 2 (non revolving) with maximum amount of Rp 1,700,000,000 and bears an interest rate equal to SBI plus 5.5% per annum, with maximum term of 42 months without grace period commencing from 22 December 2005 and will due on 22 June 2009. This loan was used to finance the Company's investment.

The collaterals of these credit facilities are as follows:

a. Right to Build (HGB) No. 2189/Kelapa Dua, with area of 1,615 sqm.
b. Right to Build (HGB) No. 2857/Kelapa Dua, with area of 595 sqm.
c. Right to Build (HGB) No. 3756/Kelapa Dua, with area of 2,705 sqm.

All of the collaterals are located in Banten province, Kabupaten Tangerang, Kecamatan Curug, Desa Kelapa Dua and registered under the Company's name.

(iv) PT Bank Permata Tbk

The loan obtained by PT East Jakarta Medika (EJM), a subsidiary, on 29 August 2003, had a maximum limit of Rp 50,000,000,000 with an annual interest rate ranging from 14.5% to 15%. This loan is secured by EJM's assets, as follows :

Land approximately of 9,990 sqm, and building; and all existing machines, medical equipment, office equipment, inventory and other assets including all assets that will be acquired in the future by EJM, until the repayment of the loan has been completed.

Amount and types of credit facilities obtained are overdraft (OD), revolving loan (RL) and term loan (TL).

The OD and RL facilities are available for the period of 1 (one) year from the date of agreement, and can be extended at the request of EJM. The TL facilities are available for the period of 18 (eighteen) months from the date of agreement.

(v) PT Bank Internasional Indonesia Tbk

Based on the notarial deed of Credit Agreement No. 57 of Sri Hartini Widjaja, SH, dated 30 September 2003, the Company obtained Term Loan (TL) amounting to Rp 12,500,000,000 that consists of:

— Term Loan I (TL I) of Rp 11,000,000,000; and
— Term Loan II (TL II) of Rp 1,500,000,000.

TL I will due on 30 September 2008, and TL II will due on 18 November 2008 based on the deed of amendment to Credit Agreement No. 46 of the same Notary related to the change in credit maturity period. This loan bears an annual interest rate of 16%.

This loan was secured by land, building, and fiduciary transfer over supporting building facilities of Imperial Aryaduta Makassar Hotel. This loan was used to refinance the loans extended by PT Bank Lippo Tbk, a related party.

(vi) Raiffeisen Zentralbank Oesterreich AG, Singapore

On 12 August 2005, the Company obtained a Bridging Loan Facility from Raiffeisen Zentralbank Oesterreich AG, Singapore Branch amounted to USD 50,000,000, with an annual interest rate at 3% above the average current year's LIBOR and will mature in 9 (nine) months. This loan is hedged by forward foreign exchange contracts (see Note 16).

(vii) PT Bank Niaga Tbk

— Based on Credit Agreement No. 351/CBG/JKT/05 dated 21 December 2005, the Company obtained Special Transaction Credit facility with maximum amount of Rp 46,000,000,000, and bear interest rate of 18%. This loan was used to finance renovation of Aryaduta Hotel Jakarta, and Imperial Aryaduta Hotel and Country Club, Karawaci Tangerang, and will due on 21 December 2009.

— Based on Credit Agreement No. 352/CBG/JKT/05 dated 21 December 2005, the Company obtained Fixed Loan facility with maximum amount of Rp 35,000,000,000 with an interest rate of 18%. This loan was used to finance the Company's projects (except hotel division), and will due on 21 December 2006.

Both facilities are secured by:

1. Rights to Build (HGB) No. 292 and 293. Located at Desa Gambir, Kecamatan Gambir, Kotamadya Jakarta Pusat, DKI Jakarta registered under the Company's name.
2. 22 (twenty two) Rights to Build (HGB), which consist of rights numbers: 27, 29, 49, 50, 56, 57,59, 2063, 2210, 2211, 2212, 2215, 2866, 2867, 2868, 2869, 2886, 3695, 3696, 3761, 3770 and 4028. Located at Desa Kelapa Dua, Kecamatan Curug, Kabupaten Tangerang, Propinsi Jawa Barat registered under the Company's name.

— Based on Credit Agreement No. 430/CBG/JKT/05 dated 27 December 2005, which was amended by Credit Agreement No. 370.A/AMD/CBG/JKT/05, the Company has a Revolving Loan facility with maximum amount of Rp 300,000,000,000, and bear an interest rate ranging from 8.7%—16%. This loan was secured by corporate guarantee from PT Villa Permata Cibodas, a subsidiary. This facility will due on 27 December 2006. The outstanding balance of this facility as of 31 December 2005 amounted to Rp 100,000,000,000.

(viii) Promissory Notes

On 31 December 2005, the outstanding balance of promissory notes issued by PT Lippo Cikarang Tbk (LC), a subsidiary, was Rp 59,885,156,250, with annual interest rate of 12% per annum. These promissory notes had been extended several times, with the latest will mature on 31 December 2006. The issuance of these promissory notes was managed by Asia Growth Investment Limited. On 31 December 2005, the outstanding balance of interest payable on these promissory notes was Rp 1.1 billion. Other promissory notes issued by LC to individuals and/or companies have 1 (one), 3 (three) or 6 (six) months tenor. The issuance of these promissory notes was managed by PT Pacific Utama Tbk, a related party, as the administrative agent. These promissory notes bear annual interest rates ranging from 10.5%—13.5% per annum. As of 31 December 2005, the outstanding balance of these promissory notes were Rp 12,126,140,876.

The Company entered into an agreement with Corfina Finance Limited, British Virgin Islands, as the arranger in the issuance of unsecured Promissory Notes with a maximum face value of USD 500,000. On 31 May 2001, the Company issued promissory notes with a face value of USD 430,000 which was discounted at 9% of its face value. This promissory notes were initially scheduled to mature on 30 May 2004, however, it was extended and will due on 28 February 2006 at a discounted rate of 4.6% from its face value. The outstanding balance as of 31 December 2005 was Rp 4,452,724,590 (USD 452,973), after deducting by unamortized discounts of Rp 21,305,018.

In 1997, the Company issued promissory notes to finance the acquisition of certain assets from Yayasan Budi Mulia. These promissory notes were payable to Corfina Finance Limited, Singapore (Corfina) and have been extended several times, with total balance of USD 2,442,633 (including interest of USD 142,475), and will mature on 15 March 2006. On 17 June 2004, Corfina agreed to convert these promissory notes into Rp 20,842,987,389 (1 USD = Rp 8,533). On 31 December 2005, the outstanding balance of these promissory notes was Rp 23,029,074,712, after deducting by an unamortized discounts of Rp 731,930,911.

(ix) PT Bank Lippo Tbk

Rupiah

The loan obtained by the Company from PT Bank Lippo Tbk (BL), a related party, represents a Fixed Loan facility with a maximum credit limit of Rp 33,000,000,000. The outstanding balance of this loan was Rp 30,000,000,000 as of 31 December 2005. This loan bears an annual interest rate of 14% in 2005.

US Dollar

The Company also obtained Fixed Loan facility from BL which was used to refinance a portion of the Company's bridging loan. The outstanding balance as of 31 December 2005 was Rp 47,675,500,000 (USD 4,850,000).

On 2 September 2003, the Company has signed an amendment to the loan agreement with BL, whereby both parties agreed to reschedule the loan repayments with terms as follows:

Repayment Date	Amount (in USD)
On the date of signing	79,768
May 26, 2004	50,000
May 26, 2005	100,000
May 26, 2006	100,000
May 26, 2007	100,000
May 26, 2008	4,600,000

This loan bears annual interest rate of 6% in 2005.

These Rupiah and USD loans are secured by a pledge of 5,400,000 of the Company's shares, which are owned by PT Anugerah Mulia Jaya (AMJ) and PT Inti Utama Sentosa (IUS), on pari passu basis. As a result, the Company paid a compensation fee to AMJ and IUS. The Company also provide certain medical equipment as additional collateral.

This loan was used as working capital for Siloam Hospital. On 26 April 2005, BL had extended the maturity date to 26 April 2006.

On 15 June 2005, the Company obtained a Fixed Loan facility for a 12 months period with maximum credit limit of Rp 35,000,000,000 which was used to finance working capital. On 31 December 2005, the balance of outstanding loan was Rp 35,000,000,000 with an annual interest rate of 14%. This loan was secured by land under the Right to Build (HGB) No. 187 with area of 29,469 sqm and HGB No. 750 with area of 24,056 sqm in Panunggangan Barat Jatiuwung, Tangerang under the name of PT Villa Permata Cibodas, a subsidiary.

(x) Kavling Serasi

"Kavling Serasi" represents payments received from buyers of property product namely "Kavling Serasi" that was sold with a pre-selling system through the Company's marketing network. As evidence of payment, buyers receive a Kavling Serasi certificate issued by the Company, by which buyers automatically have the right to chose at anytime a certain piece of land in Kavling Serasi or choose another piece of the Company's land, or another Company's product within a certain agreed upon period of time. Each purchase is also entitled to a money-back guarantee with a certain rate of return determined in advance, and after a certain period (maximum 12 months), if buyers decide not to buy any of the Company's products. The seller and buyer may cancel product "Kavling Serasi" transaction according to the terms stipulated on the certificate. The "Kavling Serasi" product is not pledged as a collateral.

19. RETIREMENT BENEFIT OBLIGATIONS

The Company and its subsidiaries have determined and recognised liabilities on employees' benefits in accordance with the existing manpower regulations in Indonesia. Estimated liabilities on employees' benefits as of 31 December 2005 was calculated by two independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo, with their reports dated 23 January 2006 and 2 January 2006, respectively. As at 31 December 2005 the Company and its subsidiaries has 4,128 employees.

Management is in the opinion that the estimate of employees' benefit assets is sufficient to cover liabilities.

Detail of employees' benefits recognised in income statement:

	Rp million	S$'000
Current service cost (Acquired Benefits during the Current Year)	11,706	1,982
Interest expense	7,572	1,282
Recognised actuarial loss	(265)	(45)
Past service cost—non vested	572	97
Effect of curtailment	(3,425)	(580)
Amortisation of actuarial adjustment	193	33
	16,353	2,769

Reconciliation of changes on assets/liabilities recognised in balance sheet:

	Rp million	S$'000
Liabilities at beginning of the year	66,679	11,288
Liabilities at beginning balance of merged company	467	79
Payment of employee benefit in current year	(111)	(19)
Recognised employee benefit expense in current year	15,997	2,709
	83,032	14,057

Present value of liabilities, related current service cost and past service cost have been calculated by independent actuaries by using the following assumptions :

Interest Rates	: 10% - 12% increase in salary
Increase in salary	: 10%
Mortality Rate	: 100% TMI2 and CSO'80
Permanent Disability Rate	: 5%
Withdrawal Rate	: 18 - 29 : 1% - 8.5% per annum 30 - 39 : 1% - 6% per annum 40 - 44 : 1% - 4% per annum > 45 : 1% per annum
Proportion Method Intake of Normal Pension Method	: 100%
Method	: Projected Unit Credit

The Company and its subsidiaries established defined benefit pension plans covering all their permanent employees. Pension contribution expense charged to operation was Rp 5,738,283,830 in 2005.

20. ISSUED CAPITAL

	Number of shares	% of ownership	Rp million	S$'000
Stockholders				
Greatmind Investment Limited	452,785,270	15.44	226,393	54,769
Pacific Asia Holdings Ltd	409,215,676	13.95	204,608	49,484
Capital Bloom Investment Ltd	227,658,750	7.76	113,829	27,527
Others (each less than 5%)	1,843,189,874	62.85	921,595	222,943
	2,932,849,570	100.00	1,466,425	354,723

Based on the notarial deed of the Meeting Resolution No. 11 of Unita Christina Winata, SH dated 21 July 2004, in connection with business combination, authorised capital was increased from 3,800,000,000 shares to 8,000,000,000 shares, and issued and fully paid capital was increased from 987,668,500 shares to 2,050,943,750 shares with a par value of Rp 500 per share. The increase of authorised, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-19039.HT.01.04.Th.04 dated 30 July 2004.

Based on notarial deed of Statement of Extraordinary Shareholders' General Meeting No. 5 of Unita Christina Winata, SH, dated 15 December 2004, the Company issued new shares to the shareholders through a Limited Public Offering II in conjunction to Preemptive Rights Issuance. The authorized capital was 8,000,000,000 shares, and issued and fully paid capital was increased from 2,050,943,750 shares to 2,932,849,563 shares with a par value of Rp 500 per share. The issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decree No. C-07114.HT.01.04.TH.2005 dated 17 March 2005. The period to register, order and make payment of this offering commenced on 29 December 2004 and continued until 17 January 2005. Up to 31 December 2004, eligible shareholders had exercised its rights totaling 443,549 shares. In 2005, the rights issued were fully exercised and the 7 warrants series I were exercised.

On 31 December 2005, the number of unexercised warrants is 529,143,481 at Rp 1,750 per share and will expire on 30 November 2007.

21. RESERVES

	Rp million	S$'000
Retained earnings	529,668	84,793
Capital reserve at date of acquisition of businesses	188,449	33,148
Paid in surplus	898,609	164,370
Exchange translation differences	—	(115,085)
	1,616,726	167,226

Movements of retained earnings are disclosed in the statement of changes in equity. Movements of other reserves are as follows:

	Rp million	S$'000
(i) Capital reserve at date of acquisition of businesses		
At beginning of the financial year	188,449	33,148
At end of the financial year	188,449	33,148
(ii) Paid in surplus		
At beginning of the financial year	421,248	79,092
Issue of shares capital	477,361	85,278
At end of the financial year	898,609	164,370
(iii) Exchange translation differences		
At beginning of the financial year	—	(93,717)
Exchange translation adjustment for the year	—	(21,368)
At end of the financial year	—	(115,085)

22. REVENUE

	Rp million	S$'000
Housing and land development:		
Shopping Centers	963,862	165,237
Residential Houses and Shophouses	140,056	24,012
Lands for Industrial and Commercial	125,441	21,506
	1,229,359	210,755
Healthcare and Hospitals:		
Inpatient Department		
Drugs and Medical Supplies	110,648	18,969
Medical Support Services	30,306	5,196
Professional Fees	80,352	13,775
Ward Fees	51,434	8,818
Administration Fees	15,249	2,614
Operating Theater	12,081	2,071
Delivery Fees	1,506	258
Others	8,295	1,422
Outpatient Department:		
Medical Support Services	130,104	22,306
Professional Fees	40,097	6,875
Registration Fees	7,377	1,266
	487,449	83,570
Infrastructure and Hospitality:		
Hotel and Restaurants	168,527	28,892
Town Management	55,741	9,556
Water Treatment	42,353	7,261
Recreation and Sports	41,197	7,063
Asset Enhancement	17,449	2,992
Others	10,146	1,740
	335,413	57,504
	2,052,221	351,829

23. FINANCE INCOME

	Rp million	S$'000
Dividends income	753	129
Gain on foreign exchange adjustments	17,138	2,938
Unrealised gain revaluation of investments—net	33	6
Reversal of provision for doubtful account receivables	5,056	867
Interest income	13,696	2,348
	36,676	6,288

Interest income represents interest earned from investments, cash equivalents, and bank accounts.

24. FINANCE EXPENSE

	Rp million	S$'000
Interest expense	52,358	8,976
Provision for doubtful account receivables	1,175	201
Loss on foreign exchange adjustments	6,099	1,046
	59,632	10,223

25. OTHER CREDITS / (CHARGES)

	Rp million	S$'000
Penalties income	16,489	2,827
Gain on disposal of property, plant and equipment	3,286	563
Rental	398	68
Other taxes	(64)	(11)
Amortisation of deferred expenses	(700)	(120)
Others	8,167	1,400
	27,576	4,727

26. EMPLOYEE BENEFITS EXPENSE

	Rp million	S$'000
Employee benefits expense including directors	318,303	54,604
Contributions to defined contribution plan	5,738	984
Contributions to defined benefit plan	16,353	2,769
Total employee benefits expense	340,394	58,357

27. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders of Rp 373,738 million or S$64.0 million with the weighted average of shares outstanding for the year ended 31 December 2005 of 2,894,210,124 shares.

Diluted earnings per share is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders of Rp 373,738 million or S$64.0 million with unexercised warrant and the weighted average of shares outstanding for the year ended 31 December 2005 of 3,423,353,605.

28. CASH DIVIDEND

Based on notarial deed of Statement of Shareholder' General Meeting No. 49 of Misahardi Wilamarta, SH, dated 12 April 2005, concerning among others, the disbursement of cash dividend of Rp 29,328,495,630 or Rp 10 per share.

29. COMMITMENTS AND CONTINGENCIES

a. On 13 September 1995, the cooperation agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak between the Company and PT Jasa Marga (Persero) (JM), a state owned enterprise, was legalised in notarial deed No. 84 by Agus Madjid, SH (Revenue Sharing Agreement). The construction shall be completed by the Company within a certain period as mutually agreed upon by both parties with total project cost of Rp 31,509,304,000, consisting of Rp 20,113,174,000 for the Karawaci Interchange and Rp 11,396,130,000 for the Crossing Gate. JM will operate the project upon completion and reimburse the project cost to the Company amounting to 40.5% of the daily toll revenues.

The payment from JM to the Company was arranged as follows:

(i) Payment for the Karawaci Interchange amounting to 17.5% of toll revenues for a period of 10 (ten) years since commencement date. This payment does not include interest; and

(ii) Payment for the Crossing Gate amounting to 23% of toll revenues for a period of 10 (ten) years since commencement date and should there remain as unpaid obligation at the end of the ten years, and JM shall pay the entire debt within 3 (three) months thereafter. This payment includes interest at 2.5% above the average one-year time deposit rate of 5 (five) government banks.

Based on notarial deed No. 94 by Agus Majid, SH, dated 30 March 2004, the Company and JM amended the Revenue-Sharing Agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak as drawn up in notarial deed No. 84 of Agus Madjid, SH dated 13 September 1995. The construction which was completed by the Company with total project cost of Rp 19,426,689,000 will be refunded by JM based upon a profit sharing scheme of the daily toll revenues from North and South Karawaci exit toll gates for a period of 10 (ten) years starting from 1 October 2001, with proportion as follows:

- 82.5% for JM including operational and maintenance expenses of 18%; and
- 17.5% for the Company.

b. The Company and its subsidiaries entered into several agreements with contractors for development of their projects. On 31 December 2005, the total contract value on Housing and Land Development segment was amounted to Rp 86,222,459,774 and for Infrastructure and Hospitality segment was amounted to Rp 13,648,547,762.

c. On 19 August 2003, PT Muliasentosa Dinamika (MSD), a subsidiary, entered into a management agreement No. 015/AGR/BMS/HT/VIII/03 for shophouses and parking building with Coldwell Banker (CB), wherein CB will provide building management services for shophouses and parking building for a period of 1 (one) year ended on 31 March 2006. For the service of managing the shophouses and parking building, MSD shall pay a certain amount to CB as specified in the agreement.

d. The Company entered into an agreement with PT Pacific Utama Tbk (PU), a related party, in connection with the issuance of certificates of “Kavling Serasi” (Serasi) products, wherein PU was appointed as the administration agent, to manage maximum fund derived from sales, with current amount of Rp 2.15 trillion, with an administration agency fee of 1%. The fees charged were Rp 15,249,270,691 for the year 2005.

e. The Company has entered into management services agreement with certain real estate developers wherein the Company agrees to extend its services on certain projects of the developers concerned. In return, the Company will receive management fees based on a certain percentage as specified in the agreement.

f. On 18 December 1975, ex Aryaduta entered into a management agreement with Hyatt International—Asia Pacific Limited (Hyatt), Hongkong (previously Hyatt of Hongkong Limited) to operate Aryaduta Hotel Jakarta (AHJ) until 31 December 2005. On 15 December 1997, Hyatt transferred its rights and obligations under the management agreement to PT Hyatt Indonesia. On 13 May 2002, this agreement was amended to extend the operating period until 31 December 2015 and to include completion of the renovation program by 31 December 2004. On 16 September 2002, the agreement was further amended to extend the deadline for the completion of the renovation program to 31 December 2005. Based on the agreement, Hyatt will receive management and incentive fees computed at a certain rate, depending upon the fulfillment of certain conditions mentioned in the agreement.

   Management and incentive fees charged to operations amounted Rp 2,171,336,296 in 2005.

   On 31 December 2005 management and incentive fees payables to Hyatt amounted to Rp 843,259,012.

g. On 17 September 1993, ex Aryaduta entered into an agreement with the Regional Government of Riau (“Riau Government”) in connection with the operation of Aryaduta Hotel Pekanbaru (AHP).

According to the agreement, the Company agreed to plan, develop and operate AHP whilst the Riau Government agreed to provide Rights to Use No. 466 with land area of 21,360 sqm at Jl. Diponegoro, Simpang Empat, Pekanbaru. The Government receives a royalty fee and a share in the hotel's profits as a compensation. This agreement is valid for 25 years commencing from the date of the grand opening of the hotel and can be extended for another 10 years. In an amendment to the agreement with the Regional Government dated 7 July 1997, the Regional Government of Riau granted a landright in the name of ex Aryaduta which will be returned to Regional Government of Riau at the end of the agreement. The grand opening was conducted at 1 January 2001.

Royalty fee expenses charged to operations amounted to Rp 222,222,000 in 2005.

h. On 20 August 2004, the Company entered into an agreement with PT Untaian Rejeki Abadi (URA) whereby the Company will provide technical and marketing services to URA's business property with area of 10,568 sqm for a period up to 27 May 2034, which can be extended. URA shall pay a certain amount as specified in the agreement.

i. Based on lease agreement No. 062/LK-PSM/LGL/VII/05 dated on 31 August 2005, the Company entered into lease agreement with PT Matahari Putra Prima Tbk (MPPA) that commenced on 1 September 2005 and will expired on 31 August 2010. The Company lease fully furnished residential house to MPPA.

   The total rental fee for the period of 5 years is USD 348,000 (excluding VAT). The rental fee will be paid in advance for the first two years in the amount of USD 120,000 and payable upon signing and commencement of the lease agreement, whichever is earlier.

   MPPA shall pay to the Company a security deposit amounting to USD 15,000 equivalent to 3 months based on rental to secure payment of all liabilities of MPPA as stipulated in the lease agreement. The security deposit shall be paid by the second parties upon signing of the lease agreement.

j. Based on lease agreement No. 001/LA-LK/PTLK-PTKG/BD-106/II-05 dated 4 March 2005 which was amended on 21 October 2005, the Company lease a plot of land with area of 8,848.57 sqm to PT Kridapetra Graha . The lease period is for 10 years commenced from the lease agreement date. Total value of lease was amounting to Rp 16,560,000,000 with the initial base rent for the first three years start at Rp 40,000 per sqm per month inclusive of 10% Witholding Tax and 10% Value Added Tax.

   PT Kridapetra Graha agreed to pay a security deposit amounting to Rp 443,796,000 in the form of a Bank transfer (cash deposit), and will be refunded when the lease period ended, or expires, or terminated.

k. In 2003, based on the Legal Case Register No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/2003/PTUN- JKT dated 11 February 2003, H. Jen Bin Genjul and its associated parties, sued the Head of Land Office of West Jakarta as Defendant; the Head of BPPN as Defendant II Intervention and PT Mandiri Cipta Gemilang (MCG), a subsidiary, as Defendant II Intervention 1, amongst others claiming for the cancellation (due to its illegality) of the HGB certificates (Right to Build) No. 1810, No. 1811 and No. 2591 of the land located at South Kembangan, which were initially owned by PT Antilope Maju that was later transferred to MCG, a subsidiary. Based on the decision of the Jakarta Administrative Court No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/2003/PTUN-JKT dated 31 July 2003, those claims were rejected. This judgement was later confirmed by the Jakarta State Administration High Court. Upon the judgement to the case aforesaid, the plaintiffs are pursuing an appeal.

   As at completion date of this consolidated financial statements, the case is still in the cassation process at the Supreme Court.

The land of which the title deeds in dispute were supported with certificates obtained from BPPN through Sale and Purchase Agreement No. 137/2003 dated 8 May 2003. Based on the progress of the claim above, the Company's legal counsel believes that MCG has a strong position and the impact of those cases will not cause significant liabilities or potential losses to MCG.

l. In 2004, the lawsuit filed by the heirs on land with area of 23,198 sqm located at Pondok Cina, Beji District, Depok belonging to PT Mulia Sentosa Dinamika (MSD), a subsidiary, was withdrawn through a signed agreement between MSD and the heirs. Jason Surjana Tanuwidjaja and Tansri Bengkil had subsequent to that agreement, sued all the heirs and MSD (co-defendant) to cancel the agreement and instructed to vacate the land under dispute. Based on Notarial deed No. 13 of Unita Christina Winata, SH, dated 23 November 2004, the heirs have agreed to cancel all the legal claims against the Company. Based on decision of High Court of Bandung No. 501/PDT/2004/PT.Bdg. Jo No. 88/Pdt.G/2004/PN.Cbn, the High Court decided that the land is owned by the Company.

m. Based on the Legal Case Register No. 15/PDTG/2005/PN.TNG, No. 16/PDTG/2005/PN.TNG, and No. 17/PDTG/2005/PN.TNG dated 24 January 2005 and No. 77/PDTG/2005/PN.TNG, No. 78/PDTG/2005/PN.TNG, No. 79/PDTG/2005/PN.TNG, No. 80/PDTG/2005/PN.TNG and No. 81/PDTG/2005/PN.TNG dated 12 April 2005, respectively, Menanti Panjaitan, SH, Mayjen TNI (Purn) M.Y Amin Suyitno, SH, Rudy Andreas Tampi, Ng A Hwi, Ridwan Sunardi, Silvia Sunardi, Tansri Singaju Benui and Aida Sutjiono sued the Company (ex Lippo Land). Based on the case, it was stated that compensation was demanded due to the allegation that kiosks at Depok Town Square was sold to the above mentioned parties at the point where the land status was still under dispute (court case). In 2005, the land dispute case, based on the legal case Register No. 15-16-17, was cancelled by the Banten High Court, whilst the legal case Register No. 77-78-79-80-81 was rejected by Tangerang District Court. Upon the judgement to the case aforesaid, the plaintiffs are pursuing remedy either by cassation through Supreme Court of the Republic Indonesia or by appeal through Banten High Court. According to the Company's legal counsel, the event will not influence nor threaten the ownership status of the land on which Depok Town Square is being built.

30. OPERATING LEASE PAYMENT COMMITMENTS

The Group has no significant lease commitments.

31. FINANCIAL INFORMATION BY SEGMENTS

Primary segment information of the Group are presented based on business segment group. Business segment is a distinguishable component and results in a different products or services based on different industry or a product group or service, especially for customers outside the Group.

The Group's business segments consist of Housing and Land Development, Healthcare and Hospitals, and Infrastructure and Hospitality. Housing and Land Development segment comprises, among other, activities in real estate, urban development, land acquisition and clearing, land development and excavation, infrastructure development. Healthcare and Hospitals segment comprises activities in health services. Infrastructure and Hospitality segment comprises, among others, activities in hotels, restaurants, town management and water and sewage treatment, rental service, recreation center, transportation and management service.

Segment information about these businesses is presented below:

	Housing and Land Development Rp million	Healthcare and Hospitals Rp million	Infrastructure and Hospitality Rp million	Consolidated Rp million
Revenue				
External	1,229,359	487,449	335,413	2,052,221
Total revenue	1,229,359	487,449	335,413	2,052,221
Result				
Segment results	704,206	119,230	199,765	1,023,201
Allocated operating expenses *	(306,949)	(38,127)	(118,192)	(463,268)
Profit	397,257	81,103	81,573	559,933
Finance income (charges)	(7,225)	(13,931)	(1,800)	(22,956)
Other income (expenses)	33,375	(4,775)	(1,024)	27,576
Share of profit of associates	3,855	60	—	3,915
Profit before tax	427,262	62,457	78,749	568,468
Income tax expense				(177,052)
Profit before minority interests				391,416
Minority interests				(17,678)
Profit for the year attributable to equity holders of the Company				373,738
Segment assets	4,230,118	1,204,025	1,075,135	6,509,278
Investment in associates	31,924	2,378	—	34,302
Total assets	4,262,042	1,206,403	1,075,135	6,543,580
Segment liabilities	826,763	1,296,649	1,029,113	3,152,525
Total segment liabilities	826,763	1,296,649	1,029,113	3,152,525
Capital expenditure	37,817	36,357	27,648	101,822
Depreciation	6,472	39,003	42,550	88,025
Non-cash expenses other than depreciation	139	1,250	173	1,562

* All operating expenses related to each segment are charged to each segment whereas common cost are charged entirely to housing and land development segment.

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK
AS OF 31 DECEMBER 2005

	Housing and Land Development S$'000	Healthcare and Hospitals S$'000	Infrastructure and Hospitality S$'000	Consolidated S$'000
Revenue				
External	210,755	83,570	57,504	351,829
Total revenue	210,755	83,570	57,504	351,829
Result				
Segment results	120,727	20,441	34,248	175,416
Allocated operating expenses *	(52,622)	(6,537)	(20,263)	(79,422)
Profit	68,105	13,904	13,985	95,994
Finance income (charges)	(1,238)	(2,388)	(309)	(3,935)
Other income (expenses)	5,722	(819)	(176)	4,727
Share of profit of associates	661	10	—	671
Profit before tax	73,250	10,707	13,500	97,457
Income tax expense				(30,353)
Profit before minority interests				67,104
Minority interests				(3,031)
Profit for the year attributable to equity holders of the company				64,073
Segment assets	716,120	203,830	182,010	1,101,960
Investment in associates	5,404	403	—	5,807
Total assets	721,524	204,233	182,010	1,107,767
Segment liabilities	139,963	219,511	174,219	533,693
Total segment liabilities	139,963	219,511	174,219	533,693
Capital expenditure	6,602	6,155	4,681	17,438
Depreciation	1,283	6,603	7,203	15,089
Non-cash expenses other than depreciation	27	212	29	268

* All operating expenses related to each segment are charged to each segment whereas common cost are charged entirely to housing and land development segment.

The Group operates predominantly in Indonesia.

32. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

	2005					
	Foreign Currencies				Equivalent to Rupiah	Equivalent to SGD
	USD US$'000	JPY JPY'000	EUR Eur'000	AUD AU$'000	Rp million	S$'000
Assets						
Cash and Cash Equivalents	3,071	42	1	1	30,205	5,113
Trade and other receivables	2,151	—	—	—	21,144	3,579
Other non current assets	50	—	—	—	491	83
Total Assets	5,272	42	1	1	51,840	8,775
Liabilities						
Short term borrowings	50,000	—	—	—	491,500	83,206
Trade and other payables	1,827	—	—	—	17,959	3,040
Current portion of long-term borrowings	553	—	—	—	5,436	920
Long-term borrowings	4,750	—	—	—	46,693	7,905
Total Liabilities	57,130	—	—	—	561,588	95,071
Total Net Liabilities	**(51,858)**	**42**	**1**	**1**	**(509,748)**	**(86,296)**

33. FUTURE CHANGES IN ACCOUNTING STANDARDS

The following IFRS that have been issued will be effective in future. The transfer to the new standards from the effective dates may result in material adjustments to the financial position, results of operations, or cash flows for the following year:

IFRS 6 Exploration for and Evaluation of Mineral Resources(*)
IFRS 7 Financial Instruments: Disclosures
IFRIC 4—Determining whether an Arrangement contains a Lease
IFRIC 5—Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
IFRIC 7—Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (*)
Amendments to IAS 1 Presentation of Financial Statements on Capital Disclosures
Amendments to IAS 19 Actuarial Gains and Losses, Group Plans and Disclosures.
Amendments to IAS 39 Financial Instruments: Recognition and Measurement on hedge accounting provision, fair value option and financial guarantee contracts (*)
Amendments to IFRS 1 First-time Adoption of Financial Reporting Standards on comparative disclosures for IFRS 6 Exploration for and Evaluation of Mineral Resources (*)
Amendments to IFRS 4 Insurance Contracts on financial guarantee contracts (*)

(*) Not applicable to the entity.

34. MANAGEMENT RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The management and directors of the Company is responsible for the preparation of the consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on the date of the Prospectus.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay, #14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

This report has been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We report on the Unaudited Pro Forma Combined Financial Information of the Carved Out Segment of PT Lippo Karawaci Tbk ("Pro Forma Combined Financial Information"). This Carved Out Segment comprises the combined unaudited financial information of Siloam Hospitals Lippo Karawaci; Siloam Hospitals, West Jakarta; Siloam Hospitals, Surabaya; and Imperial Aryaduta Hotel & Country Club. The Pro Forma Combined Financial Information have been prepared for illustrative purposes only and based on certain assumptions and after making certain adjustments to show what:-

(i) the financial results of the Carved Out Segment for the six months ended 30 June 2006 would have been if the Carved Out Segment as of date of lodgement of the Prospectus had been in existence since 1 January 2005;

(ii) the financial position of the Carved Out Segment as of the date of the balance sheet as at 30 June 2006 would have been if the Carved Out Segment as of date of lodgement of Prospectus had been in existence on that date;

(iii) the cash flow and changes in equity of the Carved Out Segment would have been if the Carved Out Segment had been in existence since 1 January 2005.

The objective of the Pro Forma Combined Financial Information is to show what the financial results, cash flows and financial position might have been had the Carved Out Segment existed at an earlier date. However, the Pro Forma Combined Financial Information is not necessarily indicative of the results and cash flows of the operation or the financial position that would have been attained had the Carved Out Segment actually existed earlier. The Pro Forma Combined Financial Information, because of their nature, may not give a true picture of the actual financial position, results, cash flow and changes in equity of the Carved Out Segment.

The Pro Forma Combined Financial Information is the responsibility of the directors and managements of First REIT and PT Lippo Karawaci Tbk. Our responsibility is to issue report on the Pro Forma Combined Financial Information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial information, consisted primarily of:

(i) comparing the Pro Forma Combined Financial Information to the unaudited financial statements of PT Lippo Karawaci Tbk for the six months ended 30 June 2006;

(ii) considering the evidence supporting the pro forma adjustments and discussing the Pro Forma Combined Financial Information with the managements and directors.

In our opinion:

(a) the Pro Forma Combined Financial Information has been properly prepared from the unaudited financial statements of PT Lippo Karawaci Tbk for the six months ended 30 June 2006 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as set out on pages E-3 to E-18 of Appendix E of the Prospectus;

(b) the Pro Forma Combined Financial Information has been properly prepared in a manner consistent with both the format of the unaudited financial statements and the accounting policies of PT Lippo Karawaci Tbk for the six months ended 30 June 2006;

(c) each material adjustment to the information used in the computation of a financial effect relating to the Pro Forma Combined Financial Information is appropriate for the purpose of preparing such Pro Forma Combined Financial Information; and

(d) the Pro Forma Combined Financial Information has been properly prepared on the basis of the assumptions set out on Section B below.

Yours faithfully

Aryanto Amir Jusuf & Mawar
(RSM AAJ Associates)
Certified Public Accountants
Indonesia
Partner in charge: Dedy Sukrisnadi, BAP
License Number: 03.1.0882

RSM Chio Lim
Certified Public Accountants
Singapore
Partner in charge: Kaka Singh
A member of the Institute of Certified Public Accountants of Singapore

PRO FORMA COMBINED FINANCIAL INFORMATION OF THE CARVED OUT SEGMENT OF PT LIPPO KARAWACI TBK FOR THE SIX MONTHS ENDED 30 JUNE 2006 (UNAUDITED)

A. Introduction

First REIT is a Singapore-based real estate investment trust constituted by a trust deed entered into between HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") and Bowsprit Capital Corporation Limited (the "Manager"). First REIT is established to invest in real estate and real estate-related assets and the Manager must manage First REIT so that the principal investments of First REIT are real estate and real estate-related assets (including ownership of companies or other legal entities whose primary purpose is to hold or own real estate-related assets).

First REIT was established through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate properties. Its initial property portfolio comprises the following four properties ("Properties"):

(a) Siloam Hospitals Lippo Karawaci;

(b) Siloam Hospitals, West Jakarta;

(c) Siloam Hospitals, Surabaya; and

(d) Imperial Aryaduta Hotel & Country Club.

The Sponsor, PT Lippo Karawaci Tbk, injected the above properties into First REIT. The Carved Out Segment is part of the segment that operates the healthcare and hospitals and hotel segments of the Sponsor. The Carved Out Segment will continue to operate after the sale of the Properties.

B. BASES FOR THE PREPARATION AND PRESENTATION OF THE PRO FORMA COMBINED FINANCIAL INFORMATION FOR THE CARVED OUT SEGMENT OF THE SPONSOR AND ASSUMPTIONS

These unaudited financial statements for the six months ended 30 June 2006 complement those for the year ended 31 December 2005 in Appendix C.

The Pro Forma Combined Financial Information of the Carved Out Segment of the Sponsor for the six months ended 30 June 2006 (the "Pro Forma Combined Financial Information") comprises the combined financial information of Siloam Hospitals Lippo Karawaci; Siloam Hospitals, West Jakarta; Siloam Hospitals, Surabaya; and Imperial Aryaduta Hotel & Country Club. The Pro Forma Combined Financial Information have been prepared for illustrative purposes only and are based on certain assumptions after making certain adjustments to show what:

(i) the financial results of the Carved Out Segment for the six months ended 30 June 2006 would have been if the Carved Out Segment had been in existence since 1 January 2005;

(ii) the financial position of the Carved Out Segment as of the date of the balance sheet as at 30 June 2006 would have been if the Carved Out Segment had been in existence on that date;

(iii) the cash flow and changes in equity of the Carved Out Segment would have been if the Carved Out Segment had been in existence since 1 January 2005.

The objective of the Pro Forma Combined Financial Information is to show what the financial results, cash flows and financial position might have been had the Carved Out Segment existed at an earlier date. However, the Pro Forma Combined Financial Information is not necessarily indicative of the results and cash flows of the operation or the financial position that would have been attained had the Carved Out Segment actually existed earlier. The Pro Forma Combined Financial Information, because of their nature, may not give a true picture of the actual financial position, results, cash flow and changes in equity of the Carved Out Segment.

The Pro Forma Combined Financial Information was prepared based on the unaudited financial statements of the Sponsor for the six months ended 30 June 2006 which are prepared in accordance with

the International Financial Reporting Standards. In addition, consistent with the basis of the preparation of segmental information in the unaudited financial statements of the Sponsor for the six months ended 30 June 2006, the Pro Forma Combined Financial Information has been prepared on the assumptions and bases for which the respective business operating units in the Carved Out Segment account for the common costs of the Sponsor, namely, on the basis of internal financial reporting purposes. Accordingly, a revenue, expense, asset, or liability may have been allocated to segments for internal financial reporting purposes on a basis that is understood by management but that could be deemed subjective by external users of financial statements. The Sponsor has chosen not to allocate some common cost and expenses for internal financial reporting purposes. Up to 30 June 2006, for the purpose of presentation, these costs totaling Rp 22,230 million (S$3.89 million) were recorded in the housing and land development business segment of the unaudited financial statements of the Sponsor for the six months ended 30 June 2006.

In preparing the Pro Forma Combined Financial Information, no adjustment is made relating to future events or decisions. In this regard, any impact or effects arising from the sale and lease back of the Properties by the Sponsor are not adjusted in this Pro Forma Combined Financial Information because they are post balance sheet events apart from the reclassification of the assets held for sale in the balance sheet.

The bases for the preparation and presentation of the Pro Forma Combined Financial Information for the six months ended 30 June 2006 are consistent with the bases used in the preparation and presentation of Pro Forma Combined Financial Information for the year ended 31 December 2005 as disclosed in Appendix C.

C. PRO FORMA COMBINED BALANCE SHEET

As of 30 June 2006

	Note	Rp million	S$ '000
ASSETS			
Current assets:			
Cash and cash equivalents	G3	6,323	1,080
Trade and other receivables	G4	45,183	7,718
Inventories	G5	14,757	2,521
Assets held for sale	G6	349,930	59,776
Total current assets		416,193	71,095
Non-current assets:			
Property, plant and equipment	G7	136,741	23,359
Other assets	G8	390	67
Deferred tax assets	G10	7,590	1,296
Total non-current assets		144,721	24,722
Total assets		560,914	95,817
LIABILITIES AND EQUITY			
Current liabilities:			
Trade and other payables	G9	258,043	44,080
Total current liabilities		258,043	44,080
Non-current liabilities:			
Retirement benefit obligations	G11	20,951	3,579
Total non-current liabilities		20,951	3,579
Total liabilities		278,994	47,659
Total equity		281,920	48,158
Total liabilities and equity		560,914	95,817

See accompanying notes to the Pro Forma Combined Financial Information

D. PRO FORMA COMBINED INCOME STATEMENT

For the six months ended 30 June 2006

	Note	Rp million	S$ '000
Revenue	G12	291,523	50,948
Cost of sales		(201,864)	(35,279)
Gross profit		89,659	15,669
Finance income	G13	982	172
Finance expense	G14	(2,154)	(376)
General and administrative expenses		(22,141)	(3,870)
Other credits	G15	252	44
Profit before tax		66,598	11,639
Income tax expense	G10	(19,872)	(3,473)
Profit for the period		46,726	8,166

See accompanying notes to the Pro Forma Combined Financial Information

E. PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Rp million	S$'000
Balance as at 1 January 2006	235,194	39,816
Exchange translation differences	—	176
Profit for the period	46,726	8,166
Balance as at 30 June 2006	281,920	48,158

See accompanying notes to the Pro Forma Combined Financial Information

F. PRO FORMA COMBINED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	Note	Rp million	S$ '000
Cash flow from operating activities:			
Collection from customers		296,458	51,810
Payment to supplier and employees		(223,708)	(39,096)
Interest paid		(1,388)	(243)
Interest received		50	9
Income tax paid		(189)	(33)
Net cash flow from operating activities		71,223	12,447
Cash flow from investing activities:			
Proceeds from disposal of property, plant and equipment		497	87
Purchase of property, plant and equipment		(5,284)	(923)
Net cash flow used in investing activities		(4,787)	(836)
Cash flow from financing activities:			
Payment of obligation under finance lease		(53)	(9)
Payment of related parties balances		(48,240)	(8,431)
Payment of borrowing		(23,029)	(4,025)
Net cash used in financing activities		(71,322)	(12,465)
Net decrease in cash and cash equivalents		(4,886)	(854)
Cash and cash equivalents at the beginning of the period		11,209	1,898
Exchange rate difference on cash and cash equivalents		—	36
Cash and cash equivalents at the end of period	G3	6,323	1,080

See accompanying notes to the Pro Forma Combined Financial Information

G. NOTES TO THE PRO FORMA COMBINED FINANCIAL INFORMATION

1. Summary of Significant Accounting Policies

ACCOUNTING CONVENTION —

The Pro Forma Combined Financial Information are prepared under the historical cost convention, modified to include the revaluation of financial assets and financial liabilities as disclosed where appropriate in this Pro Forma Combined Financial Information.

BASIS FOR PRESENTATION—

The basis of presentation and preparation of this Pro Forma Combined Financial Information is in accordance with the bases set out in section B of this report.

BASIS OF PREPARATION—

The preparation of financial information in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgments in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgments, or areas where assumptions and estimates are significant to the financial information, are disclosed at the end of this footnote, where applicable.

CASH AND CASH EQUIVALENTS—

Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction.

TRADE RECEIVABLES—

After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair value. The amount of the provision is recognised in the income statement. Normally no interest is charged on trade receivables.

LOANS AND OTHER RECEIVABLES—

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held for trading, not designated as available for sale and are not substantially recoverable other than because of credit deterioration which are classified as available for sale. Items with a short duration are not discounted. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loan receivables and trade and other receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date.

INVENTORIES—

Consumable inventories are measured at the lower of cost (weighted average method for inventories of healthcare business and first in first out method for inventories of hotel business) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined.

PROPERTY, PLANT AND EQUIPMENT—

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of property, plant and equipment. The useful lives of the assets are as follows:

Building, infrastructure and renovation	–	5 to 40 years
Transportation equipment and vehicles	–	5 years
Furniture, fixtures and office equipment	–	3 to 5 years
Machinery and equipment	–	5 to 10 years
Tools and medical equipment	–	3 to 10 years
Freehold land and construction in progress	–	Depreciation is not provided

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial information.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a Carved Out Segment incurs either when the item is acquired or as a consequence of having used the item during the particular period for purposes other than to produce inventories during the period.

Construction in progress represents expenditure incurred directly on the infrastructure development and assets preparation. Expenditure include borrowing cost of loan used for developing assets during the construction period. Construction in progress will be transferred to the appropriate property, plant and equipment account when the construction is completed and ready for its intended use.

IMPAIRMENT OF NON-FINANCIAL ASSETS—

At each reporting date an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IMPAIRMENT OF FINANCIAL ASSETS—

All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

ASSETS CLASSIFIED AS HELD FOR SALE—

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. The depreciation on depreciable assets is ceased from date of reclassification.

FINANCIAL LIABILITIES—

Financial liabilities including bank and other borrowings when recognised initially are measured at fair value plus, in the case of items not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition these are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LIABILITIES AND PROVISIONS—

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

LEASES AS A LESSEE—

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the period in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the users benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Gain on sale and leaseback transaction is deferred and amortised over the remaining lives of the leased assets using the straight-line method.

FAIR VALUE OF FINANCIAL INSTRUMENTS—

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of long-term debts are not disclosed unless there are significant items at the end of the period and are disclosed in the relevant notes.

REVENUE RECOGNITION—

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the Carved Out Segment and it is shown net of related tax, estimated returns, discounts and volume rebates. Revenue from medical services of short duration are recognised when medical services are rendered or when medical supplies are delivered to patients. Revenue from hotel, club membership and restaurant are recognised when services have been rendered. Initiation and membership fees received in advance are presented as deferred income and are recognised over the period of the membership. Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset. Dividend revenue from investments is recognised when the shareholders' right to receive the dividend is legally established.

FOREIGN CURRENCY TRANSACTIONS AND SINGAPORE DOLLAR FINANCIAL INFORMATION—

The functional currency is the Indonesian Rupiah as it reflects the primary economic environment in which the Carved Out Segment operates. Transactions in foreign currencies are recorded in Indonesian Rupiah at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement. The accompanying Singapore dollar financial information has been translated for convenience and as a matter of arithmetical computation only. The assets and liabilities are translated at the balance sheet date rates of exchange and the income and expense items are translated at average rate of exchange for the six months ended 30 June 2006. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders equity. The translation of Rupiah amounts into Singapore dollar amounts for the six months ended 30 June 2006 has been made at the rate of Rp 1 to S$0.000171 (or S$1 to Rp 5,854), the approximate rate of exchange at the end of the period. The average rate used for the six months ended 30 June 2006 are Rp 1 to S$0.000175 (or S$1 to Rp 5,722). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into Indonesian Rupiah at the above rate or other rate.

BORROWING COSTS—

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds costs are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest rate method.

INCOME TAX—

The tax returns are filed on a company wide basis by the Sponsor and the income tax balances and expense of the Carved Out Segment are computed for illustrative purposes only, and may not give a true picture of the tax position of the Carved Out Segment. The income taxes are accounted for by the Sponsor on a company wide basis using the asset and liability method that requires the recognition of taxes payable or refundable for the current period and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the Pro Forma Combined Financial Information or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences.

EMPLOYEE BENEFITS—

Short-term employees benefits are recognised at an undiscounted amount when employees have rendered their services to the Carved Out Segment during the accounting period.

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

Post employment benefit amounts are determined on a company wide basis by the Sponsor and balances and expense are allocated to the Carved Out Segment. The post employment benefit expense is recognised at discounted amount when the employees have rendered their service to the Carved Out Segment during the accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Carved Out Segment's common practices. In calculating the liabilities, the benefit is discounted by using the projected unit credit method. Termination benefit is recognised when, and only when, the Carved Out Segment is committed to either: (a) terminate the employment of an employee or Carved Out Segment of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. The Sponsor has determined and recognised liabilities on employees' benefits in accordance with existing manpower regulations.

CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION UNCERTAINTIES—

In addition to those disclosed elsewhere in the notes, the critical judgements made in the process of applying the Carved Out Segment's accounting policies that have the most significant effect on the amounts recognised in the Pro Forma Combined Financial Information and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

PROVISION FOR DOUBTFUL ACCOUNTS—

Provision for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgment to evaluate the adequacy of the allowance for doubtful accounts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial period but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT—

The estimate for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. The amount as at 30 June 2006 was Rp136,741 million (S$23.6 million).

INVENTORY RELATED ALLOWANCES—

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory. The amount as at 30 June 2006 was Rp14,757 million (S$2.52 million).

RISK MANAGEMENT POLICIES FOR FINANCIAL INSTRUMENTS

GENERAL RISK MANAGEMENT PRINCIPLES—

The Carved Out Segment financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the operations. The main risks arising from its financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS—

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. The management believes that the financial risks associated with these financial instruments are minimal. The cash and cash equivalents and other liquid financial assets are placed with high credit quality institutions. An on going credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the notes to the financial information.

OTHER RISKS ON FINANCIAL INSTRUMENTS—

The main risks arising from the Carved Out Segment's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps are not used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards liquidity, the policy has to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short-term flexibility is achieved by overdraft facilities and financial from related parties. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the Pro Forma Combined Financial Information. The policy is to reduce currency exposures through forward currency contracts or other arrangements. From time to time, there may be borrowings and foreign exchange arrangements or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the liabilities. These arrangements are not used for trading or speculative purposes.

Other Business Risks and Uncertainties—

There is exposure to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors and dependence on essential personnel. The industry is characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the Carved Out Segment.

2. Related Party Transactions

A related party is an entity, segment, business unit or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the Carved Out Segment in governing the financial and operating policies, or that has an interest in the Carved Out Segment that gives it significant influence over the Carved Out Segment in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such Carved Out Segment resides with, directly or indirectly, any such individual. This includes the Sponsor, Manager, parents, subsidiaries, fellow subsidiaries, associates, joint ventures, related business operating units and post-employment benefit plans, if any.

2.1 Related parties:

Transactions with related parties mainly consists of trade receivables, advances, charges, placement in current accounts, investments and loans. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless otherwise disclosed. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the cost of borrowing of the Sponsor.

Intragroup transactions and balances that have been eliminated in the Pro Forma Combined Financial Information are not disclosed as related party transactions and balances below. Please also see Section B.

Certain administrative and other services were provided between the business units within the Sponsor. These services were provided at no cost to the related parties. As mentioned in section B of this report, certain common costs were also not allocated between the business units and between the enlarged group of the Sponsor.

Significant related parties balances and transactions as at the balance sheet date and for the period, respectively are as follows:

Balances	Rp million	S$'000
Other receivable		
PT East Jakarta Medika	34	5
Due to related party		
PT Lippo Karawaci Tbk	181,457	30,997

Transaction	Rp million	S$ '000	Nature of Transaction
PT Lippo Karawaci Tbk	48,240	8,429	Non interest bearing inter-unit payments
PT East Jakarta Medika	227	40	Medical charges
PT Lippo General Insurance Tbk	258	45	Insurance premium

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Carved Out Segment, directly or indirectly. For the six months ended 30 June 2006, key management personnel compensation (mainly salary) of the Carved Out Segment amounted to Rp1,115 million or approximately S$194,800. For the six months ended 30 June 2006, certain key management personnel compensation of the Sponsor amounting to Rp15,496 million or approximately S$2,708,000 are not allocated to the Carved Out Segment in accordance with the Sponsor's policy.

3. Cash and Cash Equivalents

	Rp million	S$'000
Cash in hand		
—Rupiah	433	74
Cash in banks:		
Third parties		
—Rupiah	5,589	955
—Foreign currency	301	51
Cash and cash equivalents in the cash flow statement	6,323	1,080

The above cash is not restricted in use except for Rp80 million (S$13,665 million) as at 30 June 2006 which is designated as fund for the replacement of certain furniture, fixture and equipment of the hotel.

Effective interest rate for interest earning accounts: Rupiah accounts 5%-12.5% and USD accounts 3% - 4.7% per year.

4. Trade and Other Receivables

	Rp million	S$'000
Trade receivables:		
Third parties		
—Healthcare	31,873	5,445
—Hotel	4,720	806
	36,593	6,251
Less: Provision for doubtful debts	(1,122)	(192)
	35,471	6,059
Employees		
—Healthcare	1,541	263
Less: Provision for doubtful debts	(262)	(45)
	1,279	218
	36,750	6,277
Other receivables:		
Third parties		
—Healthcare	849	145
Less: Provision for doubtful debts	(19)	(3)
	830	142
Employee advances	285	49
Prepaid maintenance expenses	2,919	499
Tax receivable	4	1
Prepayments	1,376	235
Related parties (Note G2)	34	5
Others	2,985	510
	7,603	1,299
	45,183	7,718

The aging of third parties trade receivables is as follows:

Third parties		
Up to 3 months	32,125	5,488
> 3 months—6 months	2,153	368
> 6 months—1 year	2,315	395
	36,593	6,251

Movements in the provision for receivables are as follows:

	Rp million	S$'000
Balance at beginning of period	1,858	315
Exchange translation difference	—	4
Charged to income statement under administrative expenses—net	6	1
Write off	(461)	(80)
Balance at end of period	1,403	240

There is no concentration of credit risk with respect to trade receivables, as the Carved Out Segment has a large number of customers. Concentration of credit risk with respect to other receivables are mainly receivables from related parties. Employee advances are interest free and generally repayable within one year. Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

5. Inventories

	Rp million	S$'000
Medical supplies:		
—Pharmaceutical	9,159	1,565
—Non Pharmaceutical	4,182	714
Hotel supplies	719	123
Others	697	119
	14,757	2,521

6. Assets held for Sale

	Rp million	S$'000
Land and building at cost	349,930	59,776

On 30 December 2005 the Sponsor announced to its shareholders that the Sponsor will sell and lease back three hospitals and one hotel (see section A of this report). Following this, these assets are classified as assets held for sale. The sale and lease back transaction is expected to be completed at the date of the Prospectus.

7. Property, Plant and Equipment

	2006				
	Beginning balance Rp million	Additions Rp million	Disposals Rp million	Reclassification Rp million	Ending balance Rp million
Cost					
Land	55,271	—	—	—	55,271
Building	3,068	—	—	2	3,070
Furniture and fixture	55,408	1,383	25	220	56,986
Medical equipment	171,035	2,622	42	—	173,615
Machinery and equipment	11,862	196	—	300	12,358
Vehicle	2,603	17	430	788	2,978
Under capital lease	967	—	—	(788)	179
Construction in progress	1,277	1,066	—	(522)	1,821
	301,491	5,284	497	—	306,278
Accumulated depreciation					
Building	666	77	—	—	743
Furniture and fixture	38,270	4,433	21	—	42,682
Medical equipment	110,024	8,023	25	—	118,022
Machinery and equipment	4,139	1,600	—	—	5,739
Vehicle	1,942	197	285	473	2,327
Under capital lease	427	70	—	(473)	24
	155,468	14,400	331	—	169,537
Book value	146,023				136,741

	2006					
	Beginning Balance	Additions	Disposals	Reclassification	Exchange translation differences	Ending Balance
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Cost						
Land	9,357	—	—	—	85	9,442
Building	519	—	—	—	5	524
Furniture and fixture	9,380	242	4	38	79	9,735
Medical equipment	28,955	458	7	—	251	29,657
Machinery and equipment	2,008	34	—	51	18	2,111
Vehicle	441	3	75	135	5	509
Under capital lease	164	—	—	(135)	2	31
Construction in progress	216	186	—	(89)	(2)	311
	51,040	923	86	—	443	52,320
Accumulated depreciation						
Building	113	13	—	—	1	127
Furniture and fixture	6,479	775	4	—	41	7,291
Medical equipment	18,626	1,402	4	—	137	20,161
Machinery and equipment	701	279	—	—	—	980
Vehicle	329	34	50	81	4	398
Under capital lease	72	12	—	(81)	1	4
	26,320	2,515	58	—	184	28,961
Book value	24,720					23,359

Depreciation expenses are allocated as follow:

	Rp million	S$'000
Cost of sales and service	8,441	1,474
General and administrative expenses	5,959	1,041
	14,400	2,515

No interest cost was capitalised during the period.

8. Other Assets

	Rp million	S$'000
Other assets	390	67

The amount consist mainly deposits to secure service.

9. Trade and Other Payables

	Rp million	S$'000
Trade payables:		
Third parties	50,429	8,615
Other payables:		
Due to related parties (Note G2)	181,457	30,997
Deferred rental and club memberships income	10,126	1,730
Provision for replacement cost for hotel's furniture, fixture and equipment	4,575	782
Deposits from customers	4,940	844
Deferred gain on sale and lease back transactions	1,801	307
Other payables	1,096	187
Other taxes	3,619	618
	258,043	44,080

Amount due to related parties refers to amount due to the Sponsor's other business units.

10. Income Tax

a. Income Tax Expense

	Rp million	S$'000
Current	(21,220)	(3,708)
Deferred	1,348	235
	(19,872)	(3,473)

The tax returns are filed on a company wide basis by the Sponsor and the income tax balances and expense of the Carved Out Segment are computed for illustrative purposes only. The income tax expense varied from the amount of income tax expense determined by applying the Indonesian income tax rate to profit before income tax as result of the following differences:

	Rp million	S$'000
Profit before tax	66,598	11,639
Income tax expense at the statutory rate 30%	(19,979)	(3,492)
Not-allowable (taxable) item—net	89	16
Others	18	3
Total tax expense	(19,872)	(3,473)

b. Deferred Tax Assets

Details of the deferred tax assets are as follows:

	Balance sheet		Net change to income statement	
	Rp million	S$'000	Rp million	S$'000
Employee benefit	6,285	1,074	421	73
Depreciation	1,461	250	996	174
Provision for doubtful debts	32	6	2	—
Total deferred tax assets	7,778	1,330	1,419	247
Leasing	(71)	(12)	(57)	(9)
Others	(117)	(22)	(14)	(3)
Total deferred tax liabilities	(188)	(34)	(71)	(12)
Total deferred tax assets	7,590	1,296	1,348	235

11. Retirement Benefit Obligations

	Rp million	S$'000
Retirement benefit obligations	20,951	3,579
	20,951	3,579

The Sponsor has determined and recognised liabilities on employees' benefits in accordance with the existing manpower regulations. Estimated liabilities on employees' benefits as of 31 December 2005 was calculated by independent actuary, which is PT Pointera Aktuarial Strategis with its report dated 23 January 2006. During the period, the Sponsor reviewed the bases and assumptions used in the calculation of the provision for the retirement benefit obligations as at 31 December 2005 and the Sponsor is in the opinion that those bases and assumptions used then are applicable for the period ended 30 June 2006 as there were no significant change in the circumstances that required revision of those bases and assumptions. The Sponsor believes that the estimate of employees' benefits assets is sufficient to cover liabilities.

Movements of the liability is as follows:

	Rp million	S$'000
At beginning of the period	19,548	3,309
Exchange translation differences	—	25
Increase in retirement benefits expense recognised in income statement	1,403	245
At end of the period	20,951	3,579

12. Revenue

	Rp million	S$'000
Healthcare and hospitals segment:		
Inpatient department		
Medical support service	61,827	10,805
Drugs and medical supplies	61,670	10,778
Ward fees	27,312	4,773
Administration fees	8,386	1,466
Operating theatre	5,297	926
Delivery fees	452	79
Others	5,203	910
Outpatient department		
Professional fees	51,236	8,954
Medical support services	40,416	7,063
Registration fees	3,716	649
	265,515	46,403
Infrastructure and hospitality segment:		
Hotel and restaurants	26,008	4,545
	291,523	50,948

13. Finance Income

	Rp million	S$'000
Gain on foreign exchange adjustments—net	94	16
Interest income	50	9
Others	838	147
	982	172

14. Finance Expense

	Rp million	S$'000
Interest expense	1,387	242
Others	767	134
	2,154	376

15. Other Credits

	Rp million	S$'000
Rental expenses—monthly basis	250	44
Gain on disposal of property, plant and equipment	2	—
	252	44

16. Employee Benefit Expenses

	Rp million	S$'000
Employee benefits expense	47,309	8,268
Contributions to defined contribution plan	713	125
Contributions to defined benefit plan	1,403	245
Total employee benefits expense	49,425	8,638

17. Financial Information by Segments

The segment information appearing in the financial statements of the Sponsor set out in pages F-52 to F-53 of Appendix F of the Prospectus includes the financial information of the Carved Out Segment.

The Carved Out Segment operates predominantly in Indonesia.

18. Adoption of Accounting Standards

a. The following IFRS have been adopted from 1 January 2006. The transfer to the new/revised standards from the effective date has not resulted in material adjustments to the financial position, results of operations, or cash flows for the period:

IFRS 6—Exploration for and Evaluation of Mineral Resources (*)
Amendments to IAS 19 Actuarial gains and losses, group plans and disclosures (*)
Amendments to IAS 39 Financial Instruments: Recognition and measurement on hedge accounting provision, fair value option and financial guarantee contracts (*)
Amendments to IFRS 1 First-time Adoption of Financial Reporting Standards on comparative disclosures for IFRS 6 Exploration for and Evaluation of Mineral Resources (*)
Amendments to IFRS 4 Insurance Contracts on financial guarantee contracts (*)
IFRIC 4—Determining whether an Arrangement contains a Lease
IFRIC 5— Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)
IFRIC 7—Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (*)

b. The following IFRS have been issued and they are effective in the future period. The transfer to the new/revised standards from the effective date is not expected to have significant impact to the Pro Forma Combined Financial Information:

			Effective date
IFRS 7	—	Financial Instruments : Disclosures	1 January 2007
IAS 1	—	Presentation of Financial Statements : Added disclosure about an entity's capital	1 January 2007
IFRIC 8	—	Scope of IFRS 2	1 May 2006
IFRIC 9	—	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	—	Interim Financial Reporting and Impairment	1 November 2006

(*) Not applicable to the entity.

19. Management Responsibility on the Pro Forma Combined Financial Information

The directors and managements of First REIT and the Sponsor are responsible for the preparation of the Pro Forma Combined Financial Information. The Pro Forma Combined Financial Information were approved and authorised for issue by them on the date of the Prospectus.

INDEPENDENT ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 30 JUNE 2006 (UNAUDITED)

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 30 JUNE 2006 (UNAUDITED)

Introduction

This report has been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We have reviewed the consolidated balance sheet of the PT Lippo Karawaci Tbk as at 30 June 2006, and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages F-5 to F-55 of Appendix F of the Prospectus. The PT Lippo Karawaci Tbk's management and directors are responsible for the preparation and fair presentation of this interim financial information in accordance with the International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2006, and of its results, changes in equity and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

PT Lippo Karawaci Tbk is listed on the Jakarta and Surabaya Stock Exchanges. It has issued unaudited consolidated interim financial statements for the period ended 30 June 2006 in accordance with generally accepted accounting principles in Indonesia ("Indonesian GAAP"). There are significant differences between the Indonesian GAAP and International Financial Reporting Standards. These significant differences are summarised in Note 3 of the consolidated financial statements.

Yours faithfully

Aryanto Amir Jusuf & Mawar
(RSM AAJ Associates)
Certified Public Accountants
Indonesia

Partner in charge : Dedy Sukrisnadi, BAP
License Number: 03.1.0882

INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT ON THE RECONCILIATION OF INDONESIAN GAAP CONSOLIDATED FINANCIAL STATEMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 30 JUNE 2006 (UNAUDITED)

4 December 2006

The Board of Directors
Bowsprit Capital Corporation Limited
(As manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
(As trustee of First Real Estate Investment Trust)
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

Dear Sirs

INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT ON THE RECONCILIATION OF INDONESIAN GAAP CONSOLIDATED FINANCIAL STATEMENTS TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK AS AT 30 JUNE 2006 (UNAUDITED)

This report has been prepared for inclusion in the prospectus (the "Prospectus") issued in connection with the offering of certain Units in First Real Estate Investment Trust ("First REIT") (the "Offering").

We have read the unaudited consolidated financial statements of PT Lippo Karawaci Tbk in respect of the financial period ended 30 June 2006 as set out on pages F-5 to F-55 of Appendix F of the Prospectus PT Lippo Karawaci Tbk is listed on the Jakarta and Surabaya Stock Exchanges and it has issued unaudited consolidated interim financial statements for the same period presented in accordance with generally accepted accounting principles in Indonesia ("Indonesian GAAP"). For the purpose of the Prospectus the unaudited consolidated financial statements have also been prepared on the basis of International Financial Reporting Standards ("IFRS"). We have not carried out any subsequent or additional audit or review procedures on those unaudited consolidated financial statements.

Based on the Indonesian GAAP unaudited consolidated financial statements, the directors of PT Lippo Karawaci Tbk made certain adjustments to re-state the unaudited consolidated financial statements and to re-present with expanded disclosure of financial information in order to comply with IFRS ("IFRS unaudited consolidated financial statements").

The Directors of PT Lippo Karawaci Tbk are responsible for the IFRS unaudited consolidated financial statements. Our responsibility in relation to the IFRS unaudited consolidated financial statements is to issue a report on the reconciliation of Indonesian GAAP unaudited consolidated financial statements to the IFRS unaudited consolidated financial statements of PT Lippo Karawaci Tbk as at 30 June 2006 in Note 3 as set out on pages F-26 to F-30 of Appendix F of the Prospectus. Our report is to indicate whether anything has come to our attention to cause us to believe that the reconciliation has not been properly stated in all material respects in accordance with IFRS.

We conducted our procedures in accordance with Singapore Statement of Auditing Practice 24, "*Auditors and Public Offering Documents*". This Statement requires that we discuss with Management and the auditors to obtain an understanding of the business and the financial position and performance of PT Lippo Karawaci Tbk for the financial period under review, and of the procedures applied and decisions made by Management in identifying, quantifying and making the re-statement adjustments in the reconciliation. Our procedures with respect to the reconciliation included (*a*) agreeing the previously reported balances under Indonesian GAAP to the balances reported under IFRS and the adjustments to the underlying records obtained from Management, and (*b*) testing the mathematical accuracy of the reconciliation. Our procedures in this regard did not involve any audit or review procedures on the unaudited consolidated financial statements of PT Lippo Karawaci Tbk and, accordingly, we do not express any opinion on the IFRS unaudited consolidated financial statements.

Based on our procedures, nothing came to our attention to cause us to believe that the reconciliation of Indonesian GAAP unaudited consolidated financial statements to the IFRS unaudited consolidated financial statements of PT Lippo Karawaci Tbk as at 30 June 2006 as set out in Note 3 of the IFRS unaudited consolidated financial statements has not been properly stated, in all material respects, in accordance with IFRS.

Yours faithfully

RSM Chio Lim
Certified Public Accountants
Singapore

Partner in charge: Kaka Singh
A member of the Institute of Certified Public Accountants of Singapore

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK (UNAUDITED)

CONSOLIDATED BALANCE SHEET

As of 30 June 2006

	Note	Rp million	S$ '000
ASSETS			
Current assets:			
Cash and cash equivalents	5	749,529	128,037
Current investments	10	8,200	1,401
Trade and other receivables	6	922,176	157,529
Inventories	7	3,429,499	585,839
Assets held for sale	8	349,930	59,776
Total current assets		5,459,334	932,582
Non-current assets:			
Investment in associates	9	35,561	6,075
Non-current investments	10	61,254	10,463
Property, plant and equipment	11	892,806	152,512
Undeveloped land	12	981,764	167,708
Goodwill	13	145,464	24,849
Other intangible assets	14	554	95
Other non-current assets	15	87,465	14,941
Total non-current assets		2,204,868	376,643
Total assets		7,664,202	1,309,225
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	18	208,261	35,576
Trade and other payables	16	1,220,336	208,462
Current tax payables		228,993	39,117
Current portion of long term-borrowings	18	65,940	11,264
Obligation under finance leases		115	20
Total current liabilities		1,723,645	294,439
Non-current liabilities:			
Long-term borrowings	18	2,314,349	395,345
Retirement benefit obligations	19	90,065	15,385
Deferred tax	17	30,657	5,237
Total non-current liabilities		2,435,071	415,967
Total liabilities		4,158,716	710,406
Equity:			
Issued capital	20	1,466,564	354,748
Reserves	21	1,725,037	190,452
Equity attributable to equity holders of the Company		3,191,601	545,200
Minority Interests		313,885	53,619
Total equity		3,505,486	598,819
Total liabilities and equity		7,664,202	1,309,225

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK (UNAUDITED)

CONSOLIDATED STATEMENT OF INCOME
For the six months ended 30 June 2006

	Note	Rp million	S$ '000
Revenue	22	877,130	153,291
Cost of sales		(439,808)	(76,863)
Gross profit		437,322	76,428
Finance income	23	51,122	8,934
Finance expense	24	(27,025)	(4,723)
Distribution costs		(51,617)	(9,021)
Administrative expenses		(175,159)	(30,612)
Other credits/(charges)	25	(9,803)	(1,713)
Share of profit of associates		2,293	401
Profit before tax		227,133	39,694
Income tax expense	17	(53,691)	(9,383)
Profit for the period		173,442	30,311
Attributable to:			
Equity holders of the Company		166,619	29,119
Minority interests		6,823	1,192
		173,442	30,311
Earnings per share (in whole Rupiah/ S Cent)	27		
Basic		56.81	0.99
Diluted		48.13	0.84

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK (UNAUDITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company					
	Issued capital Rp million	Other reserves Rp million	Retained earnings Rp million	Total Rp million	Minority interests Rp million	Total equity Rp million
Balance at 1 January 2006	1,466,425	1,087,058	529,668	3,083,151	307,904	3,391,055
Profit for the period	—	—	166,619	166,619	6,823	173,442
Issue of share capital	139	349	—	488	—	488
Dividends declared (Note 28)	—	—	(58,657)	(58,657)	(842)	(59,499)
Balance at 30 June 2006	1,466,564	1,087,407	637,630	3,191,601	313,885	3,505,486

	Attributable to equity holders of the Company					
	Issued capital S$'000	Other reserves S$'000	Retained earnings S$'000	Total S$'000	Minority interests S$'000	Total equity S$'000
Balance at 1 January 2006	354,723	82,433	84,793	521,949	52,125	574,074
Profit for the period	—	—	29,119	29,119	1,192	30,311
Exchange translation differences	—	4,509	—	4,509	449	4,958
Total recognised income for the period	—	4,509	29,119	33,628	1,641	35,269
Issue of share capital	25	63	—	88	—	88
Dividends declared (Note 28)	—	—	(10,465)	(10,465)	(147)	(10,612)
Balance at 30 June 2006	354,748	87,005	103,447	545,200	53,619	598,819

See accompanying notes to financial statements

CONSOLIDATED FINANCIAL STATEMENTS OF PT LIPPO KARAWACI TBK (UNAUDITED)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2006

	Rp million	S$ '000
Operating activities		
Cash receipt from customers	813,518	142,174
Cash paid to suppliers and employees	(1,684,606)	(294,410)
Tax paid	(80,156)	(14,008)
Interest paid	(5,712)	(998)
Net cash used in operating activities	(956,956)	(167,242)
Investing activities		
Dividends received from equity investments	1,035	181
Proceed from sale of property, plant and equipment	817	143
Purchase of property, plant and equipment	(75,241)	(13,149)
Withdrawal of restricted funds	846	148
Proceed from redemption of investments	194	34
Payment for advances	(47,072)	(8,227)
Net cash used in investing activities	(119,421)	(20,870)
Financing activities		
Repayments of borrowings	(772,471)	(135,000)
Cash receipt from related parties, net	11,547	2,018
Repayments of obligation under finance leases	(332)	(58)
Proceeds on issue of shares	488	85
Proceeds on issue of bonds	2,336,250	408,293
Settlement of promissory notes	(30,092)	(5,259)
Net cash proceeds from financing activities	1,545,390	270,079
Net increase in cash and cash equivalents	469,013	81,967
Cash and cash equivalents at the beginning of the period	287,628	48,693
Exchange translation difference	(7,112)	(2,623)
Cash and cash equivalents at the end of period (Note 5)	749,529	128,037

See accompanying notes to financial statements

1. General

Principal Activities

PT Lippo Karawaci Tbk (the Company) was established under the name of PT Tunggal Reksakencana on 15 October 1990 based on notarial deed No. 233 of Misahardi Wilamarta, SH. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decree No. C2-6974.HT.01.01.TH.91 dated 22 November 1991 and published in the State Gazette No. 62, Supplement No. 3593 on 4 August 1992. The Company's Articles of Association have been amended several times and the latest by the Resolution of the Meeting of the Company, which was further legalized with notarial deed No. 5 of Unita Christina Winata, SH, dated 4 February 2005 concerning among others, the increase of authorized capital and additional paid-in capital as a result of Rights Issue II. The deed of amendment was approved by the Minister of Justice and Human Rights in his Decree No. C - 071 14.HT.01 .04.TH.2005 dated 4 February 2005, which was published in the State Gazette No. 46, Supplement No. 532 dated 10 June 2005.

In accordance with article 3 of the Company's Articles of Association, the Company's scope of activities include real estate, urban development, land purchasing and clearing, land cut and fill, land development and excavation; infrastructure development; planning and developing of homes, buildings, offices and industrial estates, hotels, hospitals, commercial centers, sports centers as well as supporting infrastructure, including but not limited to golf courses, club houses, restaurants, other entertainment centers, medical laboratories, medical pharmacies and related facilities, sale, rent and operate the above activities, build and manage accommodation and public facilities, operating activities in public services consisting of public transportation, security protection and other supporting services, except for legal and taxation services.

As at the reporting date, the main activities of the Company are conducting businesses related to Housing and Land Development, Healthcare and Hospitals, and Infrastructure and Hospitality.

The Company is domiciled in Indonesia at 2121 Bulevar Gajah Mada #01-01, Lippo Cyber Park, Lippo Karawaci Tangerang, Indonesia.

Company's Stocks Public Offering in Indonesia

The Company's Initial Public Offering of 30,800,000 shares was declared effective by the Chairman of Capital Market Supervisory Board (Bapepam) in his Decree No. S-878/PM/1996 dated 3 June 1996, and was listed on Jakarta and Surabaya Stock Exchanges on 28 June 1996.

Subsequently, the Company offered 607,796,000 shares to its existing stockholders through Rights Issue I, as approved by the Decree of the Chairman of Bapepam in his letter No. S-2969/PM/1997 dated 30 December 1997. These shares were listed on Jakarta and Surabaya Stock Exchanges on 16 January 1998.

On 30 July 2004, the Company acquired several companies and merged them into the Company. As part of the merger, the Company issued 1,063,275,250 new shares to the merged companies' shareholders. Thus the Company's total issued shares were 2,050,943,750 shares. The increase of authorized, issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decree No. C-19039.HT.01 .04.TH.04 dated 30 July 2004.

In 2004, the Company issued new shares through a Limited Public Offering II in connection with preemptive rights issuance of 881,905,813 common shares at a par value of Rp 500 per share, and issued 529,143,440 Warrant Serie I as a compliment to shareholders that exercised their rights in the Limited Public Offering. This offering was approved by the Decree of The Chairman of Bapepam in his letter No. S-3357/PM/2004 dated 29 October 2004. These shares were listed in Jakarta and Surabaya Stock Exchanges on 20 January 2005. As of 30 June 2006, the total issued shares of the Company were 2,933,128,662 shares (see Note 20) and listed in Jakarta and Surabaya Stock Exchanges.

Group Structure

The following list presents the Company's ownership at subsidiaries in which the Company has control over their management and/or has ownership of more than 50%, either direct or indirectly.

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2006 Rp million	Total Assets 2006 S$'000
PT Prudential Development (formerly PT Prudential Golf Development)	Tangerang	Real Estate	100.00	—	256	44
Lippo Karawaci Finance B.V	Netherland	Investment, Trading and Services	100.00	—	2,324,495	397,078
Lippo Karawaci Corporation Pte. Ltd.	Singapore	Investment, Trading and Services	100.00	—	—	—
LK Reit Management Pte. Ltd.	Singapore	Investment, Trading and Services	100.00	—	—	—
Bowsprit Capital Corp. Ltd.	Singapore	Investment, Trading and Services	80.00	—	5,854	1,000
PT Sentra Dwimandiri and Subsidiaries	Tangerang	Real Estate	100.00	—	762,016	130,170
PT Muliasentosa Dinamika (which has 4.48% ownership in PT Lippo Cikarang Tbk)	Tangerang	Real Estate	100.00	1997	316,219	54,018
PT Sentra Realtindo Development (which has 4.62% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Tangerang	House Improvement	100.00	2001	98,209	16,776
PT Darma Sarana Nusa Pratama and Subsidiaries	Tangerang	Real Estate	52.70	1997	86,149	14,716
PT Tata Mandiri Daerah Villa Permata	Tangerang	Town Management	42.16	2001	880	150
PT Golden Pradamas and Subsidiaries	Tangerang	Real Estate	100.00	—	126,661	21,637
PT Mulia Bangun Semesta and Subsidiaries	Jakarta	Real Estate	99.98	2002	101,910	17,409
PT Villa Permata Cibodas	Tangerang	Real Estate	79.98	1995	94,360	16,119
PT Puncak Resort International and Subsidiaries	Cianjur	Real Estate	100.00	1994	72,639	12,408
PT Sentosa Seksama	Cianjur	Real Estate	100.00	1994	23,234	3,969
PT Purimegah Swarga Buana	Cianjur	Real Estate	100.00	1994	8,778	1,499
PT Adigraha Rancang Sempurna	Cianjur	Real Estate	100.00	1994	7,206	1,231
PT Pesanggrahan Suripermata Agung	Cianjur	Real Estate	100.00	1994	1,974	337
PT Dona Indo Prima	Cianjur	Real Estate	100.00	—	50	9
PT Sukmaprima Sejahtera	Cianjur	Real Estate	100.00	—	50	9
PT Sentra Asritama Realty Development	Tangerang	Installation and Water Treatment	100.00	1994	40,763	6,963
PT Sentra Graha Mandiri	Tangerang	Real Estate	100.00	—	33,312	5,690
PT Tata Mandiri Daerah Lippo Karawaci	Tangerang	Town Management	100.00	1999	54,072	9,237
PT Saptapersada Jagatnusa	Tangerang	Bowling	100.00	1998	8,680	1,483
PT Sejatijaya Selaras	Tangerang	Real Estate	100.00	—	19,286	3,295
PT Taman Sari Lippo Karawaci	Tangerang	Food Court	100.00	1994	9,563	1,634
PT Surya Makmur Alam Persada	Tangerang	Real Estate	100.00	—	20,285	3,465
PT Bahtera Pratama Wirasakti	Tangerang	Real Estate	100.00	—	15,738	2,688
PT Sentra Office Realty	Tangerang	Building	100.00	1998	2,396	409
PT Dinamika Intertrans	Tangerang	Management Transportation	100.00	1994	3,679	628
PT Imperial Karawaci Golf	Tangerang	Golf	100.00	—	487	83
PT Agung Sepadan	Tangerang	Real Estate	100.00	—	37	6
PT Prudential Townhouse Development	Tangerang	Real Estate	100.00	—	97	17
PT Wahana Tatabangun Cemerlang Matahari	Tangerang	Real Estate	100.00	—	18	3

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2006 Rp million	Total Assets 2006 S$'000
PT Wahana Tatabangun Cemerlang	Tangerang	Real Estate	100.00	—	16	3
PT Paragon City	Tangerang	Real Estate and Trading	100.00	—	496	85
Bridgewater International Ltd. and Subsidiaries	Seychelles	Investment	100.00	—	8,334	1,424
Henley Investments Pte. Ltd. and Subsidiaries	Singapore	General	100.00	—	972	166
PT Graha Indah Pratama	Jakarta	Real Estate and Urban Development	100.00	—	9,966	1,702
Primerich Investments Pte. Ltd. and Subsidiaries	Singapore	General Trading	100.00	—	1,465	250
PT Tata Prima Indah	Jakarta	Real Estate and Urban Development	100.00	—	2,966	507
Lovage International Pte. Ltd. and Subsidiaries	Singapore	General Trading	100.00	—	1,612	275
PT Karya Sentra Sejahtera	Jakarta	Real Estate and Urban Development	100.00	—	19,966	3,411
Got Pte. Ltd. and Subsidiaries	Singapore	General Trading	100.00	—	2,159	369
PT Sentra Dinamika Perkasa	Jakarta	Real Estate and Urban Development	100.00	—	19,966	3,411
PT Lippo Karawaci Infrastructure & Utilities Division	Tangerang	Trading Construction and Services	100.00	—	250	43
PT Lippo Cikarang Tbk and Subsidiaries	Bekasi	Real Estate	51.33	1989	1,133,779	193,676
PT Great Jakarta Inti Development (which has 2.5% and 10% ownership in PT Dian Citimarga and PT Dunia Air Indah, respectively)	Bekasi	Town Management and Real Estate	51.33	1992	101,040	17,260
PT Erabaru Realindo	Bekasi	Real Estate	51.33	—	16,980	2,901
PT Dian Citimarga	Bekasi	Public Transportation	51.33	1993	133	23
PT Kreasi Dunia Keluarga	Bekasi	Recreation Service	51.38	1993	3,797	649
Lippo Land Development International Finance Company B.V.	Netherland	Investment	100.00	—	332	57
Pan Asian Investment, Ltd and Subsidiaries	Vanuatu	Trading	100.00	—	6,835	1,168
Cromwell Investment, Ltd	Vanuatu	Trading	100.00	—	—	—
PT Wisma Jatim Propertindo (which has 0.02% ownership in PT Pendopo Niaga) and Subsidiaries	Jakarta	Services	100.00	—	1,263,155	215,776
PT Carakatama Dirgantara and Subsidiaries	Jakarta	Trading	100.00	—	12,660	2,163
PT Prudential Hotel Development	Jakarta	Trading and Service	100.00	1994*	12,638	2,159
PT Ariasindo Sejati and Subsidiaries	Jakarta	Trading and Service	95.00	—	171,781	29,344
PT Unitech Prima Indah	Medan	Real Estate	94.68	2004	172,869	29,530
PT Lipposindo Abadi and Subsidiaries	Jakarta	Trading	100.00	—	192,458	32,876
PT Kemuning Satiatama (which has 42.20% ownership in PT Lippo Cikarang Tbk) and Subsidiaries	Jakarta	Trading	100.00	—	187,500	32,029
PT Megachandra Karyalestari	Jakarta	Trading	100.00	1992*	577	99
PT Prudential Office Development	Jakarta	Trading and Service	100.00	1994*	865	148
PT Prudential Apartment Development	Jakarta	Services	100.00	1993*	1,187	203
PT Sentra Kharisma Indah and Subsidiaries	Jakarta	Services	80.00	—	8	1

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2006 Rp million	S$'000
Norfolk Enterprises, Ltd	Cook Island	Trading	80.00	—	—	—
PT Sentra Goldhill Businesspark	Jakarta	Services	72.00	—	—	—
PT Metropolitan Leisure and Subsidiaries	Jakarta	Trading and Service	100.00	—	90,598	15,476
PT Kurniasindo Sejahtera	Jakarta	Trading and Service	100.00	—	1,358	232
PT Guna Tata Carakatama	Makassar	Trading and Service	100.00	2002	115	20
PT Lippo Land Cahaya Indonesia	Jakarta	Services	100.00	2003	2,837	485
PT Graha Tata Cemerlang Makassar	Makassar	Real Estate	100.00	2002	88,907	15,187
PT Larasati Anugerah	Jakarta	Trading	100.00	—	17	3
PT Bathara Brahma Sakti	Jakarta	Trading and Service	100.00	1992*	2,562	438
PT Realty Limaribu	Jakarta	Services	100.00	1998*	370	63
PT Dwisindo Jaya	Jakarta	Trading	100.00	—	146	25
PT Lipposindo and Subsidiaries	Jakarta	Trading	100.00	—	162,710	27,795
PT Pendopo Niaga	Jakarta	Real Estate	100.00	2004	164,189	28,047
PT Lippo Vacation and Subsidiaries	Jakarta	Trading	100.00	—	349,248	59,660
PT Jagat Pertala Nusantara	Jakarta	Real Estate	100.00	2004	337,841	57,711
PT Wisma Sumut Propertindo	Jakarta	Services	100.00	—	36	6
PT Mulia Mukti Persada Perkasa	Jakarta	Trading	100.00	—	5	1
PT Kemang Village and Subsidiaries	Jakarta	Trading	100.00	—	83,031	14,184
PT Menara Bhumimegah and Subsidiaries	Jakarta	Services	100.00	2005	81,561	13,933
PT Jaya Usaha Prima and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	—	73,043	12,477
PT Persada Mandiri Abadi and Subsidiaries	Jakarta	Real Estate and Urban Development	80.00	2005	73,093	12,486
PT Pesona Indah Lestari	Jakarta	Hotel and Tourism	100.00	—	10,000	1,708
PT Prima Aman Sarana	Jakarta	Services	100.00	—	500	85
PT Kemang Multi Sarana	Jakarta	Real Estate and Urban Development	100.00	—	500	85
PT Menara Perkasa Megah and Subsidiaries	Jakarta	Real Estate and Urban Development	100.00	2005	285,437	48,759
PT Pelangi Cahaya Intan Makmur and Subsidiaries	Sidoarjo	Trading	85.00	—	242,133	41,362
PT Surya Mitra Jaya	Sidoarjo	Trading and Service	85.01	2005	245,619	41,957
PT Mitra Kasih Kurnia	Jakarta	Real Estate	100.00	—	600	102
PT Consulting & Management Service Division	Tangerang	Service	100.00	—	242	41
PT Saputra Karya	Jakarta	Real Estate and Urban Development	100.00	—	250	43
PT Niaga Utama	Jakarta	Trading	100.00	—	124	21
PT Grand Provita and Subsidiary	Jakarta	Real Estate	100.00	—	500	85
PT Grand Prima Propertindo	Jakarta	Real Estate	65.00	—	25	4
PT Pacific Sejahtera	Surabaya	Real Estate	100.00	—	25	4
PT Wahana Usaha Makmur	Jakarta	Real Estate	100.00	—	500	85
PT Satriamandiri Idola Utama	Jakarta	Real Estate	100.00	—	600	102
PT Mahakaya Abadi	Jakarta	Real Estate	100.00	—	500	85
PT Persada Mandiri Dunia Niaga and Subsidiaries	Jakarta	Real Estate	100.00	—	139,902	23,899
PT Gapura Sakti Prima and Subsidiaries	Jakarta	Real Estate	78.60	—	95,854	16,374
PT Menara Megah Tunggal and Subsidiaries	Jakarta	Real Estate	55.00	—	95,354	16,289
PT Trias Mitra Investama	Jakarta	Real Estate	55.00	—	94,854	16,203
PT Permata Agung Propertindo	Jakarta	Real Estate	100.00	—	600	102
PT Maharama Sakti	Jakarta	Trading	100.00	—	9	2
Indigo Investment Fund, Ltd	Cook Island	Investment	100.00	—	—	—

Subsidiaries	Domicile	Main Business Activities	Ownership Percentage (directly and/or indirectly) %	Operation Started	Total Assets 2006 Rp million	S$'000
Bankasia Holdings, Ltd	Cook Island	Trading	100.00	—	—	—
Inglewood Properties, Ltd	Cook Island	Trading	100.00	—	—	—
Chesterfield	Cook Island	Trading	100.00	—	—	—
PT Aritasindo Permai Semesta and Subsidiaries	Jakarta	Healthcare	99.98	—	6,007	1,026
PT Siloam Specialis Clinic	Jakarta	Healthcare	99.98	2005	5,988	1,023
PT Siloam Hospital	Jakarta	Healthcare	99.98	—	2,000	342
PT Siloam Karya Sejahtera	Tangerang	Trading and Services	99.98	—	100	17
PT Eramulia Pratamajaya	Jakarta	Healthcare	99.98	—	19	3
PT Siloam Hospitals (formerly PT Sentralindo Wirasta)	Jakarta	Healthcare	99.98	—	2,089	357
PT East Jakarta Medika	Bekasi	Healthcare	50.00	2002	62,359	10,652
PT Shimatama Graha	Bekasi	Restaurant, Bar, Catering, Etc	100.00	1989	2,200	376
PT Aryaduta International Management (Formerly PT Duamitra Sejati)	Jakarta	Management Building	100.00	1998	136	23
PT Tigamitra Ekamulia	Jakarta	General	100.00	1998*	5	1
PT Mandiri Cipta Gemilang	Jakarta	Development	100.00	2003	366,534	62,613
PT Aresta Amanda Lestari(which has 0.31% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	4,268	729
PT Aresta Permata Utama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	2,378	406
PT Fajar Usaha Semesta (which has 4.73% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	3,254	559
PT Fajar Raya Cemerlang (which has 4.58% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	3,157	539
PT Fajar Abadi Aditama (which has 3.45% ownership in PT Gowa Makassar Tourism Development Tbk)	Jakarta	General Trading	99.98	—	2,294	392
PT Nuansa Indah Lestari and Subsidiaries	Jakarta	General Trading	99.99	—	36,521	6,239
PT Metropolitan Permai Semesta and Subsidiaries	Jakarta	General Trading	89.73	—	38,306	6,544
PT Makassar Permata Sulawesi (which has 32.5% ownership in PT Gowa Makassar Tourism Development Tbk)	Makassar	General Trading	88.65	—	36,298	6,201
PT Gowa Makassar Tourism Development Tbk	Makassar	Real Estate and Property	50.30	1997	260,099	44,431

* Inactive

PT Mahakaya Abadi was established under notarial deed No. 26 of Unita Christina Winata, SH, dated 25 January 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. C-03058.HT.01.01.TH.2006 dated 3 February 2006.

PT Grand Provita was established under notarial deed No. 27 of Unita Christina Winata, SH, dated 25 January 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. C-03059.HT.01.01.TH.2006 dated 4 April 2006.

On 10 February 2006, PT Wisma Jatim Propertindo and PT Maharama Sakti, subsidiaries, acquired 96.00% and 4.00% ownership of PT Pacific Sejahtera.

Lippo Karawaci Finance B.V. was established under notarial deed of Anton Arnaud Voorneman, dated 21 February 2006 in Amsterdam, Netherlands.

On 14 March 2006, PT Wisma Jatim Propertindo and PT Maharami Sakti, subsidiaries, acquired 99.83% and 0.17% ownership of PT Mitra Kasih Karunia (MKK), respectively. Up to the date of completing these consolidated financial statements, the amendment or Articles of Association of MKK relating to the change of the shareholders composition is still in the process of obtaining approval from the Minister of Law and Human Rights of the Republic of Indonesia.

PT Siloam Karya Sejahtera was established under notarial deed No.30 of Unita Christina Winata, SH, dated 20 March 2006. Up to the date of completing these consolidated financial statements, the establishment deed is still in the process of obtaining approval from the Minister of Law and Human Rights of the Republic of Indonesia.

PT Lippo Karawaci Infrastructure & Utilities Division was established under notarial deed No. 47 of Unita Christina Winata, SH, dated 23 March 2006. Up to the date of completing these consolidated financial statements, the establishment deed is still in the process of obtaining approval from the Minister of Law and Human Rights of the Republic of Indonesia.

PT Consulting & Management Service Division was established under notarial deed No. 46 of Unita Christina Winata, SH, dated 23 March 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. C-13337.HT.01.01.TH.2006 dated 9 May 2006.

PT Grand Prima Propertindo was established under notarial deed No. 2 of Unita Christina Winata, SH, dated 4 April 2006. The establishment deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in his Decree No. C-16867.HT.01.01.TH.2006 dated 9 June 2006.

On 7 April 2006, PT Wisma Jatim Propertindo and PT Maharama Sakti, subsidiaries, acquired 99.96% and 0.04% ownership of PT Saputra Karya (SK), respectively. The amendment of Articles of Association of SK relating to the change of the shareholders' composition was accepted by the Minister of Law and Human Rights of the Republic of Indonesia in his Letter No. C-UM.02.01.7162 dated 3 May 2006.

On 26 April 2006, PT Graha Indah Pratama, PT Sentra Dinamika Perkasa, PT Tata Prima Indah and PT Karya Sentra Sejahtera, subsidiaries, which are 100% indirectly owned by the Company were sold to Henley Investment Pte. Ltd., GOT Pte. Ltd., Lovage Pte. Ltd. and Primerich Investment Pte. Ltd., subsidiaries, which are also 100% indirectly owned by the Company.

On 26 April 2006, 100% ownership in PT Prudential Development Ltd., a subsidiary, was sold to third party.

Lippo Karawaci Corporation Pte. Ltd. was established on 10 May 2006 in Singapore.

LK Reit Management Pte. Ltd. was established on 10 May 2006 in Singapore.

Bowsprit Capital Corp. Ltd. was established on 17 May 2006 in Singapore.

On 26 May 2006, PT Wisma Jatim Propertindo and PT Maharama Sakti, subsidiaries, acquired 99.83% and 0.17% ownership of PT Satriamandiri Idola Utama, respectively.

On 30 May 2006, PT Wisma Jatim Propertindo and PT Maharama Sakti, subsidiaries, acquired 99.8% and 0.2% ownership of PT Wahana Usaha Makmur, respectively.

On 19 June 2006, PT Wisma Jatim Propertindo and PT Maharama Sakti, subsidiaries, acquired 96% and 4% ownership of PT Persada Mandiri Dunia Niaga (PMDN), respectively. PMDN owned 78.6% shares in PT Gapura Sakti Prima (GSP), GSP owned 70% shares ownership in PT Menara Megah Tunggal (MMT) and MMT owned 99.8% shares in PT Trias Mitra Investama.

PT Permata Agung Propertindo was established under notarial deed No. 45 of Myra Yuwono, SH, dated 26 June 2006. Up to the date of completing these consolidated financial statements, the establishment deed is still in the process of obtaining approval from the Minister of Law and Human Rights of the Republic of Indonesia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION—

The financial statements are prepared under the historical cost convention, modified to include the revaluation of financial assets and financial liabilities as disclosed where appropriate in these financial statements.

BASIS OF PRESENTATION—

The financial statements for period have been presented in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared for inclusion in the prospectus (the “Prospectus”) issued in connection with the offering of certain Units in First Real Estate Investment Trust (“First REIT”) (the “Offering”). The IFRS also require the financial statements of the Company and the comparative financial statements for the Group and the Company. These have not been prepared as they are not required for the purposes for the Prospectus. PT Lippo Karawaci Tbk is listed on the Jakarta and Surabaya Stock Exchanges. The Company has issued the unaudited consolidated financial statements for the period ended 30 June 2006 in accordance with generally accepted accounting principles in Indonesia (“Indonesian GAAP”). Based on the Indonesian GAAP unaudited consolidated financial statements, the Management of PT Lippo Karawaci Tbk has made certain adjustments to re-state the consolidated financial statements and to re-present with expanded disclosure of financial information in order to comply with the IFRS. There are significant differences between the Indonesian GAAP and IFRS. The reconciliation of the differences is set out in Note 3 below.

The consolidation accounting method is used for the consolidated financial statements which include the financial statements made up to the balance sheet date for the 6 months ended 30 June 2006 of the Company and of those companies in which it holds, directly or indirectly through subsidiaries, over 50 percent of the shares and voting rights (its subsidiaries including special purpose entities). The consolidated financial statements are prepared using uniform accounting policies for like transactions, including income, expenses and dividends, are eliminated in full on consolidation. The equity accounting method is used for associates in the Group financial statements. The results of the investees acquired or disposed of during the financial year are consolidated from the respective dates of acquisition or up to the dates of disposal. On disposal the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

BASIS OF PREPARATION—

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

SUBSIDIARIES—

A subsidiary is an entity including unincorporated and special purpose entities that are controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

ASSOCIATES—

An associate is an entity including an unincorporated entity in which the Company has a substantial financial interest (usually not less than 20% of the voting power), significant influence and that is neither a subsidiary nor a joint venture of the Company. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investments in associates are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The income statement reflects the Group's share of the results of operations of the associate. The Group's investment in its associate includes goodwill on acquisition, which is treated in accordance with the accounting policy for goodwill stated below for business combinations. Profits and losses resulting from transactions between the Group and an associate are recognised in the financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

BUSINESS COMBINATIONS—

Business combinations are accounted for by applying the purchase method. The cost of a business combination under purchase method includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree; plus any costs directly attributable to the business combination. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognised is accounted for as goodwill. The excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is accounted for as "negative goodwill". The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed. For negative goodwill, a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit and loss. There was no negative goodwill in this period.

Goodwill arising on acquisitions before the date of transition to IFRS, 1 January 2005, has been retained at the Indonesian GAAP amounts subject to being tested for impairment at the beginning of the year and at the end of the year. Goodwill written off other than through the income statement under Indonesian GAAP prior to 2005 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

MINORITY INTERESTS—

Any minority interest in the acquiree (subsidiary) is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

CASH AND CASH EQUIVALENTS—

Cash and cash equivalents include bank and cash balances and any highly liquid debt instruments purchased with an original maturity of three months or less. Cash for the cash flow statement includes cash and cash equivalents less bank overdrafts payable on demand that form an integral part of cash management and cash subject to restriction. Other financial assets and financial liabilities at fair value through profit and loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

DERIVATIVE FINANCIAL INSTRUMENTS—

There are hedging arrangements through the forward currency exchange and swap markets to reduce its exposure to currency and interest rate fluctuations. While the hedging instruments are subject to the risk of loss from changes in interest and exchange rates, these losses are offset by gains on the exposures being hedged. Gains and losses on derivative contracts designated as hedges of existing assets and liabilities are accrued as exchange rates change, thereby offsetting gains and losses from the underlying assets and liabilities. Gains and losses on foreign exchange contracts used to hedge anticipated transactions are deferred and included in earnings when the transactions being hedged are recognised. The differential paid or received on interest rate swap agreements is recognised in the income statement.

TRADE RECEIVABLES—

After initial recognition at fair value, trade receivables are measured at amortised cost using the effective interest method but short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant. Trade receivables are stated after provision for doubtful debts. A trade receivable amount is regarded as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The carrying amounts of trade receivables are assumed to approximate their fair value. The amount of the provision is recognised in the income statement. Normally no interest is charged on trade receivables.

LOANS AND OTHER RECEIVABLES—

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, not held for trading, not designated as available for sale and are not substantially recoverable other than because of credit deterioration which are classified as available for sale. Items with a short duration are not discounted. After initial recognition such financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for the non-current financial assets that are loans and receivables which are measured at amortised cost using the effective interest method less provision for impairment. These items are included in the balance sheet in loan receivables and trade and other receivables as current assets or as non-current assets where the maturities are greater than 12 months after the balance sheet date or the operating cycle.

INVENTORIES—

Inventories of properties of the Company, which consist mainly of acquisition cost of land for development, shopping center, residential houses, shophouses, office buildings, and apartments, are measured at the lower of cost and net realisable value. Cost is determined by using the average method. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Cost of land under development includes cost of land improvement and development, and capitalised interest and other financing charges obtained to finance the acquisition and development of land until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The cost of residential houses and shophouses consist of actual construction cost.

Consumable inventories are measured at the lower of cost (weighted average method for inventories of healthcare business and first in first out method for inventories of hotel business) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made for where the cost is not recoverable or if the selling prices have declined.

The development projects have operating cycles longer than one year. The Company includes in current assets amounts relating to the long-term contracts realisable over a period in excess of one year.

LAND FOR DEVELOPMENT—

Land not for immediate development is classified as land held for development. Upon commencement of development, the carrying cost of the land is transferred to inventories or property, plant and equipment where appropriate. Land held under development is stated at cost less accumulated impairment loss.

CURRENT INVESTMENTS—

Mutual funds and investments with a quoted market price in an active market and derivatives that are not designated as hedges are classified as financial assets held for trading or those designated at fair value through profit or loss at inception. They are initially measured at fair value plus directly attributable transaction costs and are classified as current assets if they are held for trading or are expected to be realised within 12 months of the balance sheet date. These are stated at fair value using the portfolio basis. A gain or loss on remeasuring trading financial assets to fair value (other than those relating to hedges) is recognised in the income statement. The transactions are recorded at the trade date.

NON-CURRENT INVESTMENTS—

Investments are classified as available-for-sale financial assets that are non-derivatives and are designated in this category or not classified in any other categories as determined by management at initial recognition and re-evaluated at every reporting date. They are initially measured at fair value, plus directly attributable transaction costs and are classified as non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. At subsequent reporting dates they are stated at fair value by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the management establishes fair value by using valuation techniques. A gain or loss on remeasuring available-for-sale financial assets or liabilities to fair value (other than those relating to hedges) is recognised directly in equity until the financial asset is sold, collected, or otherwise disposed of, or when determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period. Impairment losses recognised in profit or loss for unquoted equity investments classified as available-for-sale are not subsequently reversed through profit or loss but debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. The transactions are recorded at the trade date. Unquoted investments are stated at cost less provision for impairment in value because there is no reliable method to determine the fair values of these investments.

HELD-TO-MATURITY INVESTMENTS—

Held-to-maturity investments, such as bonds and promissory notes, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the management has the expressed intention and ability to hold to maturity are initially measured at fair value, plus directly attributable transaction costs and are classified as non-current assets unless the maturities are less than 12 months from the balance sheet date. They are subsequently measured at amortised cost using the effective interest rate method less any impairment loss recognised to reflect irrecoverable amounts. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

PROPERTY, PLANT AND EQUIPMENT—

Depreciation is provided on a straight-line basis to allocate the gross carrying amounts less their residual values over their estimated useful lives of each part of an item of property, plant and equipment. The useful lives of the assets are as follows:

Building, infrastructure and renovations	-	4 to 40 years
Parks and interiors	-	5 years
Golf course and club house	-	20 years
Transportation equipment and vehicles	-	4 to 8 years
Furniture, fixtures and office equipment	-	3 to 10 years
Tools and medical equipment	-	3 to 10 years
Machinery and project equipment	-	3 to 10 years
Bowling machinery	-	10 years
Playground areas	-	5 years
Freehold land and construction in progress	-	Depreciation is not provided

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses except for the revalued items based on government rules. The residual value and the useful life of an asset is reviewed at least at each financial period-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in the income statement.

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Unutilised property and equipment are presented as a component of other assets and valued based on the lower of its carrying amount or net realisable value.

Construction in progress represents expenditure incurred directly to infrastructure development and fixed assets preparation. Expenditure includes borrowing cost of loan used for developing assets during the construction period. Construction in progress will be transferred to the appropriate property and equipment account when the construction is completed and ready for its intended use.

INTANGIBLE ASSETS—

An intangible asset (other than goodwill) that is an identifiable non-monetary asset without physical substance is recognised at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful life is as follows:

Accounting software	-	5 years

IMPAIRMENT OF NON-FINANCIAL ASSETS—

At each reporting date, an assessment is made whether there is any indication that a depreciable or amortisable asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in the income statement unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each reporting date non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

IMPAIRMENT OF FINANCIAL ASSETS—

All financial assets except those measured at fair value through profit or loss are subject to review for impairment. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

ASSETS CLASSIFIED AS HELD FOR SALE—

Identifiable assets, liabilities and contingent liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. Impairment losses on initial classification as held for sale are included in the income statement, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement. The depreciation on depreciable assets is ceased.

FINANCIAL LIABILITIES—

Financial liabilities including bank and other borrowings when recognised initially are measured at fair value plus, in the case of items not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition these are measured at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are measured at fair value. Liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LIABILITIES AND PROVISIONS—

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These include trade and other payables and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

LEASES AS A LESSEE—

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, a finance lease is recognised as an asset and as liability in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Gain on sale and leaseback transaction is deferred and amortised over the remaining lives of the leased assets using the straight line method.

SHARE CAPITAL—

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds. Where the company reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders and no gain or loss is recognised in the income statement.

FAIR VALUE OF FINANCIAL INSTRUMENTS—

The carrying values of current financial assets and financial liabilities including cash, accounts receivable, short-term borrowings, accounts payable approximate their fair values due to the short-term maturity of these instruments. The fair values of long-term debts are not disclosed unless there are significant items at the end of the period and are disclosed in the relevant notes.

REVENUE RECOGNITION—

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the course of the ordinary activities of the entity and it is shown net of related tax, estimated returns, discounts and volume rebates.

(i) Revenue from sale of property is recognised based on stage of completion basis which is measured by reference to the certification by the architect for each project. In addition, significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the property sold and, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest revenue is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset. Dividend revenue from investments is recognised when the shareholder's right to receive the dividend is legally established.

(iii) Revenue from medical service are recognised when medical services are rendered or when medical supplies are delivered to patients.

(iv) Hotel, club membership and restaurant revenues are recognised when services have been rendered. Initiation and membership fees received in advance are presented as deferred income and are recognised as income over the period of membership.

FOREIGN CURRENCY TRANSACTIONS—

The functional currency is the Indonesian Rupiah as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in Indonesian Rupiah at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances and balances measured at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet and fair value dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in the income statement.

SINGAPORE DOLLAR FINANCIAL STATEMENTS—

The accompanying Singapore dollar financial statements have been translated for convenience and as a matter of arithmetical computation only. The assets and liabilities are translated at balance sheet date of exchange and the income and expense items are translated at average rate of exchange for the period of 6 months. The resulting translation adjustments (if any) are accumulated in a separate component of shareholders' equity. The translation of Rupiah amounts into Singapore dollar amounts for the period ended 30 June 2006, has been made at the rate of Rp 1 to S$0.000171 (or S$1 to Rp 5,854), the approximate rate of exchange at the end of the period. The average rate used for the period ended 30 June 2006 is Rp 1 to S$ 0.000175 (or S$1 to Rp 5,722). Such translation should not be construed as a representation that the Singapore dollar amounts could be converted into Rupiah at the above rate or other rate.

FOREIGN CURRENCY FINANCIAL STATEMENTS—

The foreign entities determine the appropriate functional currency as it reflects the primary economic environment in which the entities operate. In translating the financial statements of a foreign entity for incorporation in the consolidated financial statements the assets and liabilities denominated in currencies other than the functional currency of the Company are translated at balance sheet date rates of exchange and the income and expense items are translated at average rates of exchange for the period. The resulting translation adjustments (if any) are accumulated in a separate component of equity until the disposal of the foreign entity.

BORROWING COSTS—

All borrowing costs that are interest and other costs incurred in connection with the borrowing of funds are recognised as an expense in the period in which they are incurred except for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest expense is calculated using the effective interest rate method. Capitalisation of interests is discontinued when the physical construction or production of a qualifying asset is completed.

INCOME TAX—

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current period and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Income tax expense represents the sum of the tax currently payable and deferred tax. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from (a) goodwill for which amortisation is not deductible for tax purposes; or (b) the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability is not recognised for all taxable temporary differences associated with investments in subsidiaries and associates because (a) the company is able to control the timing of the reversal of the temporary difference; and (b) it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS—

Short-term employees benefits are recognised at an undiscounted amount when employees have rendered their services to the Group during the accounting period.

Contributions to defined contribution retirement benefit plans are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences are recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

Post employment benefit is recognised at discounted amount when the employees have rendered their service to the Group during the accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Group's common practices. In calculating the liabilities, the benefit is discounted by using the projected unit credit method. Termination benefit is recognized when, and only when, the Group is committed to either: (a) terminate the employment of an employee or group of employees before the normal retirement date; or (b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

SEGMENT REPORTING—

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

Critical Judgements, Assumptions and Estimation Uncertainties

In addition to these disclosed elsewhere in the notes, the critical judgments made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

PROVISION FOR DOUBTFUL DEBTS—

An allowance is for doubtful accounts for estimated losses resulting from the subsequent inability of our customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. At the balance sheet date, the receivables are measured at fair value and their fair values might change materially within the next financial period but these changes would not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.

DEFERRED INCOME TAXES—

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the extent to which deferred tax assets can be recognised. A deferred tax asset is recognised if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilised. Management also considers future taxable income and tax planning strategies in assessing whether deferred tax assets should be recognised. The amount at the balance sheet date was Rp 30,657 million or S$5.2 million.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT—

The estimates for the useful lives and related depreciation charges for plant and equipment is based on commercial and other factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of the specific assets affected by the assumption is Rp 892,806 million or S$ 152.5 million at 30 June 2006.

ESTIMATED IMPAIRMENT OF GOODWILL—

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2. For the period ended 30 June 2006, the Group reassessed the estimated recoverable amounts as at 31 December 2005 and a test of impairment is made if there is any indication of impairment. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates (Note 13). The Group would not be able to reverse any impairment losses that arose on goodwill because reversal is not permitted by IAS 36.

INVENTORY RELATED ALLOWANCES—

A review is made periodically on inventory for excess inventory, obsolescence and declines in net realisable value below cost and record an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory. The carrying amount of inventories at the balance sheet date was Rp 18,624 million or S$ 3.2 million at 30 June 2006.

INVENTORIES—HOUSE AND LAND DEVELOPMENT—

One of the most important phases for construction contracts relates to estimated costs to complete the developments in process, since that information is used in determining the estimated final gross profit or loss on contracts. Estimated costs to complete involve expectations about future performance, and the management does obtain explanations of apparent disparities between estimates and past performance on project. Because of the direct effect on the estimated gross profit or loss on the contract, management has to estimate that the cost to complete is reasonable. Events and circumstances frequently do not occur as expected. Even if the events anticipated under the assumptions occur, actual results are still likely to be different from the estimates since other anticipated events frequently do not occur as expected and the variation may be material. The carrying amount of the specific assets affected by the assumption is Rp 3,410,875 million or S$ 582.7 million at 30 June 2006.

Risk Management Policies for Financial Instruments

GENERAL RISK MANAGEMENT PRINCIPLES—

The entity's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as trade and other receivables, trade and other payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the entity's operations. The main risks arising from the entity's financial instruments are credit risk, interest risk, liquidity risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

CREDIT RISK ON FINANCIAL ASSETS—

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations consist principally of cash, cash equivalents and trade and other accounts receivable. The management believes that the financial risks associated with these financial instruments are minimal. The cash and cash equivalents and other liquid financial assets are placed with high credit quality institutions. An ongoing credit evaluation is performed of the debtors' financial condition and a loss from impairment is recognised in the income statement. There is no significant concentration of credit risk, as the exposure is spread over a large number of counterparties and customers unless otherwise disclosed in the notes to the financial statements.

OTHER RISKS ON FINANCIAL INSTRUMENTS—

The main risks arising from the entity's financial instruments are interest risk, liquidity risk and foreign currency risk. The operations are financed through a mixture of retained earnings and borrowings. Borrowings are in the desired currencies at both fixed and floating rates of interest. The policy is to retain flexibility in selecting borrowings at both fixed and floating rates interest. There is exposure to interest rate price risk for financial instruments with a fixed interest rate and to interest rate or cash flow risk for financial instruments with a floating interest rate that is reset as market rates change. Interest rate swaps are not used to generate the desired interest profit and to manage the exposure to interest rate fluctuations. There is also exposure to liquidity. As regards liquidity, the policy has to ensure continuity of funding and where necessary a certain percentage of the borrowings should mature in two to five years. Short-term flexibility is achieved by overdraft facilities. There is also exposure to changes in foreign exchange rates arising from foreign currency transactions and balances and changes in fair values. These exposures and changes in fair values from time to time are monitored and any gains and losses are included in the income statement unless otherwise stated in the notes to the financial statements. The policy is to reduce currency exposures through forward currency contracts or other arrangements. From time to time, there may be borrowings and foreign exchange arrangements or similar instruments entered into as hedges against changes in interest rates, cash flows or the fair value of the liabilities. These arrangements are not used for trading or speculative purposes.

OTHER BUSINESS RISKS AND UNCERTAINTIES—

There is exposure to a number of risks including the development and marketing of unproven products, the need to maintain adequate financing, better capitalised competitors and dependence on essential personnel. The industry is characterised by rapid technological developments, frequent products introductions, evolving industry standards, changes in customer requirements and short product life cycles. Significant technological changes or the emergence of competitive products with new capabilities could adversely affect the business plan and operating results of the Group.

3. Reconciliation between Indonesian GAAP and IFRS

The Group prepares its financial statements using the Indonesian GAAP and has presented its financial statements under Indonesian GAAP to meet the requirements of the Jakarta and Surabaya Stock Exchanges. In connection with the Offering, the consolidated financial statements of the Group have also been prepared on the basis of IFRS. The accounting policies set out in Note 2 have been applied in preparing the IFRS consolidated financial statements. The effect of the IFRS adjustments to the results for the six months ended 30 June 2006 are a decrease in net profit for the period of approximately Rp 19,380 million (S$ 3.4 million) and an increase in total equity by approximately Rp 387,999 million (S$ 66.3 million).

The following are the reconciliation of the balance sheet and income statement prepared under IFRS and Indonesian GAAP for 30 June 2006:

	Indonesian GAAP Rp million	Notes Below	Adjustments Rp million	IFRS Rp million
ASSETS				
Current assets:				
Cash and cash equivalents	749,529		—	749,529
Current investments	8,200		—	8,200
Trade and other receivables	909,240	1(a)	12,936	922,176
Inventories	3,200,133	2	229,366	3,429,499
Assets held for sale	—	3(a), 10(b), 11(b)	349,930	349,930
Total current assets	4,867,102			5,459,334
Non-current assets:				
Investments in associates	35,561		—	35,561
Non-current investments	61,254		—	61,254
Property, plant and equipment	1,196,940	3	(304,134)	892,806
Undeveloped land	886,501	4	95,263	981,764
Goodwill	105,863	5	39,601	145,464
Other intangible assets	554		—	554
Deferred tax assets	50,138	6(d)	(50,138)	—
Other non-current assets	136,628	7	(49,163)	87,465
Total non-current assets	2,473,439			2,204,868
Total assets	7,340,541			7,664,202
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	2,203	8(d)	206,058	208,261
Trade and other payables	1,528,422	8	(308,086)	1,220,336
Current tax payables	228,993		—	228,993
Current portion of long-term borrowings	65,940		—	65,940
Obligation under finance leases	115		—	115
Total current liabilities	1,825,673			1,723,645
Non-current liabilities				
Long-term borrowings	2,314,349			2,314,349
Retirement benefit obligations	83,032	11(c)	7,033	90,065
Deferred tax	—	6	30,657	30,657
Total non-current liabilities	2,397,381			2,435,071
Total liabilities	4,223,054			4,158,716
Equity:				
Issued capital	1,466,564		—	1,466,564
Reserves	1,342,904		382,133	1,725,037
Equity attributable to equity holders of the Company	2,809,468			3,191,601
Minority interests	308,019		5,866	313,885
Total equity	3,117,487	9	387,999	3,505,486
Total liabilities and equity	7,340,541			7,664,202

	Indonesian GAAP Rp million	Notes Below	Adjustments Rp million	IFRS Rp million
CONSOLIDATED INCOME STATEMENT				
Revenue	911,979	1(a)(b)	(34,849)	877,130
Cost of sales	(451,600)	10	11,792	(439,808)
Gross profit	460,379			437,322
Financial income	51,122			51,122
Financial expense	(27,025)		—	(27,025)
Distribution costs	(51,617)		—	(51,617)
Administrative expenses	(170,870)	11	(4,289)	(175,159)
Other credits/(charges)	(9,464)	5(c)	(339)	(9,803)
Share of profit of associates	2,293		—	2,293
Profit before tax	254,818		(27,685)	227,133
Income tax expense	(61,996)	6(a)	8,305	(53,691)
Profit for the year	192,822		(19,380)	173,442
Equity holders of the Company	175,003		(8,384)	166,619
Minority interests	17,819		(10,996)	6,823
	192,822		(19,380)	173,442

Notes:

(1) Revenue from the sale of residential houses, shophouses and other similar types of buildings, including parcel of land are recognised based on completed method under the Indonesian GAAP. For the purpose of IFRS, adjustment is made to change the revenue recognition policy from completed method to stage of completion method to be consistent with the revenue recognition policy of shopping centers. The effect of the adjustments is as follows:

	Rp million Increase / (Decrease) in 2006 profit	Rp million Increase / (Decrease) in 2005 retained earnings	Rp million Total increase/ (decrease) in profit
(a) Net accrual of trade receivables	1,075	11,861	12,936
(b) Net reversal of customer deposits from other payables account to income statement	(35,924)	73,761	37,837
Net adjustment to revenue	(34,849)	85,622	50,773
(c) Cost of development charged to income statement	7,573	(35,928)	(28,355)
	(27,276)	49,694	22,418
(d) Tax effect—deferred tax asset (liability)	8,183	(14,908)	(6,725)
Net profit (loss)	(19,093)	34,786	15,693

(2) The effect of adjustments to the inventories account is as follows:

	Rp million
(a) In accordance with Indonesian GAAP, certain business under common control are consolidated using a method similar to "pooling of interest method". For the purpose of restatement of Indonesian GAAP audited financial statements to IFRS, the Company changed its policy on consolidation to that of purchase method. Following this, adjustment is made to record inventories purchased at its fair value on the date of acquisition.	270,693
(b) Reversal of cost of inventories arising from (a) above to income statement on disposals. The effect is as follows :	
- Decrease in retained earnings as at 31 December 2005	(12,972)
(c) Cost of inventories charged to income statement see note (1(c)).	(28,355)
	229,366

(3) Effect of adjustments to the property, plant and equipment account is as follows:

		Rp million
(a)	Reclassification of the carrying amount of certain properties to assets held for sale. In December 2005, the company announced to its shareholders that the company will sell and leaseback three hospitals and one hotel cum country club. In accordance with IFRS, these assets are classified as assets held for sale. The transaction is expected to be completed at date of Prospectus.	(342,576)
(b)	In accordance with the Indonesian GAAP, assets acquired under common control are recorded on historical costs basis. For the purpose of IFRS, the purchase method is used instead. Consequently, assets acquired are recorded at its fair value at the date of acquisition. Adjustment is made to record the fair value of the property, plant and equipment acquired in the prior years.	13,879
		Rp million
(c)	Reclassification of certain assets from other assets to property, plant and equipment to better reflect the substance of the transactions.	25,735
(d)	Depreciation for the effect in (b) and (c) above.	
	- for 2006	(391)
	- for prior periods	(781)
		(304,134)

(4) The effect of adjustments to the undeveloped land account is as follows:

		Rp million
(a)	In accordance with Indonesian GAAP, certain businesses under common control are consolidated using a method similar to "pooling of interest method". For the purpose of restatement of Indonesian GAAP audited financial statements to IFRS, the Company changed its policy on consolidation to that of purchase method. Following this, adjustment is made to record undeveloped land purchased at its fair value on the date of acquisition.	95,263

(5) Goodwill

(a) In accordance with the Indonesian GAAP, goodwill is amortised on the straight-line basis over 20 years. IFRS 3 Business Combination prohibits the amortisation of goodwill acquired in a business combination and instead requires the goodwill to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired, in accordance with IAS 36 Impairment of Assets. The excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost is accounted as negative goodwill and it is recognised in the income statement.

(b) In accordance with Indonesian GAAP, no goodwill is recorded for certain business combinations deemed under common control as the consolidation is based on a method similar to 'pooling of interest method'. The Company changed the accounting policy under IFRS for which business combinations in relation to these transactions are accounted for by applying the purchase method.

(c) The net effect to the equity and results of Group and the net increase in goodwill of the Group arising from (a) and (b) above are as follows:

	Rp million		
	Increase/ (Decrease) in retained earnings as at 2005	Increase/ (Decrease) in goodwill as at 30 June 2006	Increase/ (Decrease) in profit for the period ended 30 June 2006
(i) Write back amortisation of goodwill of prior periods.	10,215	10,215	—
(ii) Write back amortisation of goodwill during the period.	—	6,191	6,191
(iii) "Negative goodwill" accounted for in goodwill account in prior periods being adjusted to retained earnings	23,195	23,195	—
(iv) "Negative goodwill" accounted for in other payables account in prior periods being adjusted to retained earnings	66,721	—	—
(v) Write back amortisation of "negative goodwill" during the period	—	—	(6,530)
	100,131	39,601	(339)

(6) The effect of adjustments to deferred tax account is as follows:

	Rp million
(a) Deferred tax liabilities recognised as a result of additional income recognised following the change of revenue recognition policy (see note (1)), adjustment on the cost of inventories (see note (2)), additional depreciation charged (see note 3), write back of amortization of goodwill (see note 5) and accrual of retirement benefit obligations (see note 11(c)). The effect is as follows:	
— Decrease in retained earnings as at 31 December 2005	10,990
— Increase in profit for 2006	(8,305)
(b) Deferred tax liabilities arising from the recording of fair values at the date of acquisition of assets.	80,764
(c) Adjustment to account for the deferred tax effect arising from adjustment 7(a) below	(2,654)
Net adjustments	80,795
(d) Reclassification of deferred tax assets as at 30 June 2006	(50,138)
Adjusted deferred tax liabilities under IFRS	30,657

(7) The effect of adjustments to other non-current assets is as follows:

	Rp million
(a) Adjustment to account for certain expenditure in the income statement. These expenditures are capitalised under Indonesian GAAP but they are not permitted under IFRS.	(8,847)
(b) Reclassification of certain assets to property, plant and equipment (see 3(c)).	(25,735)
(c) Reversal of cost of club membership to deferred income as sale of the club membership has not been completed.	(4,000)
(d) Adjustment to reclass certain assets to undeveloped land following the change of accounting policy of business combinations (see 4(a)).	(10,581)
	(49,163)

(8) The effect of adjustments to trade and other payables account is as follows:

		Rp million
(a)	Reversal of "negative goodwill" accounted for in other payables to retained earnings (see 5(c)(iv) and 5(c)(v)).	(60,191)
(b)	Reversal of customer deposits to revenue (see 1 (b)).	(37,837)
(c)	Adjustment to offset cost of club membership with deferred income (see 7(c)).	(4,000)
(d)	Reclassification of payables on "Kavling Serasi" to short-term borrowings to better reflect the substance of the transaction.	(206,058)
		(308,086)

(9) The effect of adjustments to equity is as follows:

		Rp million
(a)	Adjustments to record the deferred tax, paid in surplus and fair values of certain assets at the date of acquisition following the change of accounting policy of business combinations (see 2, 3 and 4) and change in revenue recognition policy (see 1).	68,657
(b)	Reversal of negative goodwill accounted for in other payables (see 5 (c).	100,131
(c)	Adjustment to account for certain expenditure (net of tax) in the income statement. These expenditures are capitalised under Indonesian GAAP but they are not permitted under IFRS (see 6(c) and 7(a)).	(6,193)
(d)	Adjustment to record the paid in surplus at the date of acquisition following the change of accounting policy of business combinations (see 2, 3, 4 and 5).	253,864
(e)	Cost of inventories, net of tax charged to prior period's retained earnings (see 2(b)).	(9,080)
	Net effect of IFRS adjustments to equity as at 31 December 2005.	407,379
(f)	The effect of adjustments to the consolidated income statement for the period ended 30 June 2006.	(19,380)
		387,999

(10) The effect of the adjustments to the cost of sales account is as follows:

		Rp million
(a)	Adjustment to account for the cost of sale of development properties following the change of the accounting policies from completion method to stage of completion method (see 1(c)).	7,573
(b)	Reversal of depreciation expense of assets held for sale (see 3(a)).	4,219
		11,792

(11) The effect of the adjustments to the administrative expenses account is as follows:

		Rp million
(a)	Additional depreciation for the period (see 3(d)).	(391)
(b)	Reversal of depreciation expense of assets held for sale (see 3(a)).	3,135
(c)	Accrual of retirement benefit obligations	(7,033)
		(4,289)

4. Related Party Transaction

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and other who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint ventures and post-employment benefit plans, if any.

4.1 *Related parties:*

Transactions with related parties mainly consist of trade receivables, advances and charges, placement in current accounts, investments and loans. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless otherwise disclosed. The current intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For non-current balances an interest is imputed based on the cost of borrowing less the interest rate if any provided in the agreement for the balance.

Intragroup transactions and balances that have been eliminated in the consolidated financial statements are not disclosed as related party transactions and balances below.

Significant related parties transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Rp million	S$'000
Investments (promissory notes)		
PT AsiaNet Multimedia	2,911	497
Trade and other receivables		
PT Bumi Lemahabang Permai	10,105	1,726
Employees and directors	5,752	983
PT Duta Mas Kharisma Indah	4,892	836
PT Tunggal Griya Semesta	217	37
PT Lippo Indorent	89	15
Others	4,818	823
Total	25,873	4,420
Less : Provision for doubtful debts	(13,286)	(2,270)
Net	12,587	2,150
Trade payables		
PT Bumi Lemahabang Permai	10,385	1,774
PT Gita Multi Sarana	8,966	1,532
PT Bintang Mulya Darmabakti	8,376	1,431
PT Dunia Air Indah	3,790	647
PT Cahaya Harapan	2,800	478
PT Adiprima Karya Nusantara	2,557	437
Others	4,081	697
Total	40,955	6,996
Advances payable		
PT Matahari Putra Prima Tbk	464,509	79,349

Transactions	Rp million	S$'000	Nature of transaction
PT Ciptadana Sekuritas	2,569	439	Interest income and purchases of promissory note
PT Matahari Putra Prima Tbk	465,219	79,470	Purchases, advance management fee and accounts receivable
PT Bumi Lemahabang Permai	10,385	1,774	Non-interest bearing of intercompany charges, deposit in connection with the cancellation of land
PT Sharestar Indonesia	21	4	Securities administration fee

4.2 *Key management compensation:*

	Rp million	S$'000
Salaries and other short-term employee benefits	15,495	2,708
Post-employment benefits	1,209	211
	16,704	2,919

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

	Rp million	S$'000
Directors' remuneration of directors of the company	4,032	705

Key management personnel are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly.

5. Cash and Cash Equivalents

	Rp million	S$'000
Maturity less than 3 months		
Cash in hand		
- Rupiah	3,535	604
- Foreign currency	249	43
Cash in banks		
- Rupiah	36,596	6,251
- Foreign currency	37,698	6,440
Time deposits		
- Rupiah	49,204	8,405
- Foreign currency	622,247	106,294
Cash and cash equivalents in the cash flow statements	749,529	128,037

Time Deposits:	
Interest rates per year	
Rupiah	5%-12.5%
Foreign currency	3%-4.7%
Maturity period	1 Month

The interest rates approximate the weighted effective interest rate. There is no restriction in the cash above. Foreign currency is mainly in United States dollars.

6. Trade and other Receivables

	Rp million	S$'000
Trade receivables		
Third parties	700,850	119,722
Less: Provision for doubtful debts	(43,723)	(7,469)
	657,127	112,253
Related parties (Note 4)	1,571	269
Less: Provision for doubtful debts	(262)	(45)
	1,309	224
	658,436	112,477
Other receivables and prepayments		
Third parties	93,977	16,053
Less: Provision for doubtful debts	(6,247)	(1,067)
	87,730	14,986
Related parties (Note 4)	24,302	4,151
Less: Provision for doubtful debts	(13,024)	(2,225)
	11,278	1,926
Prepaid taxes and other prepayments	69,305	11,839
Purchase advances	95,427	16,301
	263,740	45,052
Total trade and other receivables	922,176	157,529

	Rp million	S$'000
Movements in above provision:		
Balance at beginning of period	64,637	10,942
Exchange translation differences	—	106
Provision for trade receivables charged to income statement as finance expense	25	4
Write off	(1,406)	(246)
Balance at end of period	63,256	10,806

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

As at the balance sheet date, the total receivables in respect of housing and land development projects are Rp 607,177 million (S$ 103.7 million).

The trade receivables schedule from the date of the invoice is as follows:

	Rp million	S$'000
Third parties		
Up to 3 months	557,207	95,184
> 3 months - 6 months	52,274	8,930
> 6 months - 1 year	27,913	4,768
> 1 year	63,456	10,840
Total	700,850	119,722
Less: Provision for doubtful debts	(43,723)	(7,469)
Total receivable from third parties—net	657,127	112,253

	Rp million	S$'000
Related Parties		
Up to 3 months	1,177	201
> 3 months - 6 months	248	42
> 6 months - 1 year	129	23
> 1 year	17	3
Total	1,571	269
Less: Provision for doubtful debts	(262)	(45)
Total receivable from related parties—net	1,309	224

Trade receivables up to 25% credit limit of a subsidiary have been pledged for a loan obtained from PT Bank Agroniaga Tbk (Note 18).

Other receivables—These are for various items including: (a) for receivables from the sale of units/ kiosks at Metropolis Town Square; (b) receivables of unrealized gain on non deliverable USD Call Spread Option facility agreements (Note 29.k); (c) receivables of maintenance, security and electricity and water; and (d) receivables from providing security services in Lippo Kawaraci area.

7. Inventories

	Rp million	S$'000
Housing and land development:		
Land under development	2,734,193	467,064
Shopping center	488,018	83,365
Shophouses and residential houses	157,120	26,840
Office building and apartments	25,482	4,353
Others	6,062	1,035
	3,410,875	582,657
Healthcare and hospitals:		
Medical supplies	15,496	2,647
Infrastructure and hospitality:		
Hotel and restaurant	2,560	437
Recreation and sports	443	76
Others	164	29
Less: allowance for decline in inventories value	(39)	(7)
	3,128	535
Total inventories	3,429,499	585,839

Interests and other borrowing costs of Rp 151,675 million (S$ 25.9 million) were capitalised into land under development during the period.

As of 30 June 2006, land under development consisted of land covering a net area of approximately 44 hectares in Kelapa Dua and Bencongan villages, 11 hectares in Jalan Lingkar Luar Barat—Puri Kembangan, 21 hectares in West Panunggangan village, 32 hectares in Binong village, 2 hectares in Kelapa Indah village, 45 hectares in Bonang village, 3 hectares in Sukanagalih Village, 5 hectares in Pondok Jagung village, 263 hectares in Cibatu village, 27 hectares in Serang village, 64 hectares in Sukaresmi village, 119 hectares in Cicau village, 199 hectares in Kelurahan Tanjung Merdeka, 96 hectares in Kelurahan Macini Sombala, 28 hectares in Tamanyeleng village, 51 hectares in Kelurahan Barombong, and 40 hectares in Kecamatan Mariso.

The land under development with area of 102,235 sqm are pledged as collateral of the Company loans obtained from PT Bank Niaga Tbk (see Note 18). Part of medical supplies and non-medical supplies are pledged as collateral by PT East Jakarta Medika for loans obtained from PT Bank Permata Tbk (see Note 18). Land under development with area of ± 38.9 hectares are reserved for "Kavling Serasi" Product.

The Group's inventories have been insured against all risks, with the sum insured of Rp 461,828 million (S$78.9 million) as of 30 June 2006.

8. Assets Held For Sale

	Rp million	S$'000
Land and building at cost	349,930	59,776
	349,930	59,776

On 30 December 2005, the Company announced to its shareholders that the Company will sell and lease back 3 hospitals and one hotel. Following this, these assets are classified as assets held for sale. The sale and lease back transaction is expected to be completed at the date of the Prospectus.

9. Investments in Associates

	2006					
	Percentage of Ownership %	Acquisition Cost Rp million	Accumulated Equity in Net Earnings (Losses) Rp million	Additional Investment Rp million	Dividend Received Rp million	Carrying Value Rp million
Equity method						
PT Multifilling Mitra Indonesia	49.81	500	16,185	—	(1,000)	15,685
PT Hyundai Inti Development	45.00	6,155	58,739	—	(56,160)	8,734
PT Nusa Medika Perkasa	21.91	2,500	178	—	—	2,678
PT Tritunggal Sentra Utama	20.00	583	1,785	—	—	2,368
PT Lippo Indorent	40.00	2,906	(1,721)	—	—	1,185
PT Lippo Hyundai Development	50.00	16,217	(16,217)	—	—	—
PT Menara Inti Development	40.00	100	(100)	—	—	—
PT Bumi Lemahabang Permai	30.00	37	(37)	—	—	—
Cost method *		4,911	—	—	—	4,911
Total		33,909	58,812	—	(57,160)	35,561

	2006					
	Percentage of Ownership %	Acquisition Cost S$'000	Accumulated Equity in Net Earnings (Losses) S$'000	Additional Investment S$'000	Dividend Received S$'000	Carrying Value S$'000
Equity method						
PT Multifilling Mitra Indonesia	49.81	85	2,764	—	(171)	2,678
PT Hyundai Inti Development	45.00	1,052	10,034	—	(9,593)	1,493
PT Nusa Medika Perkasa	21.91	427	31	—	—	458
PT Tritunggal Sentra Utama	20.00	100	305	—	—	405
PT Lippo Indorent	40.00	496	(294)	—	—	202
PT Lippo Hyundai Development	50.00	2,770	(2,770)	—	—	—
PT Menara Inti Development	40.00	17	(17)	—	—	—
PT Bumi Lemahabang Permai	30.00	6	(6)	—	—	—
Cost method *		839	—	—	—	839
Total		5,792	10,047	—	(9,764)	6,075

The summarised financial information on the investments in associates is as follows:

	Percentage of Ownership %	Investment Rp million	Asset Rp million	Liabilities Rp million	Revenue Rp million	Net Profit/(loss) Rp million
Equity Method						
PT Multifiling Mitra Indonesia	49.81	15,685	33,936	2,440	5,556	2,109
PT Hyundai Inti Development	45.00	8,734	19,571	1,039	4,517	2,548
PT Nusa Medika Perkasa	21.91	2,678	11,240	5	—	11
PT Tritunggal Sentra Utama	20.00	2,368	14,827	234	2,334	356
PT Lippo Indorent	40.00	1,185	3,751	788	883	4
PT Lippo Hyundai Development	50.00	—	—	—	—	—
PT Menara Inti Development	40.00	—	51,927	56,907	—	(1,279)
PT Bumi Lemahabang Permai	30.00	—	7,610	43,908	—	(1)
Cost method *		4,911	6,362	2,240	—	18
Total		35,561	149,224	107,561	13,290	3,766

	Percentage of Ownership %	Investment S$'000	Asset S$'000	Liabilities S$'000	Revenue S$'000	Net Profit/(oss) S$'000
Equity Method						
PT Multifiling Mitra Indonesia	49.81	2,678	5,797	417	972	369
PT Hyundai Inti Development	45.00	1,493	3,343	177	789	445
PT Nusa Medika Perkasa	21.91	458	1,920	1	—	2
PT Tritunggal Sentra Utama	20.00	405	2,533	40	408	62
PT Lippo Indorent	40.00	202	641	135	154	1
PT Lippo Hyundai Development	50.00	—	7	—	—	—
PT Menara Inti Development	40.00	—	8,870	9,721	—	(224)
PT Bumi Lemahabang Permai	30.00	—	1,300	7,500	—	—
Cost method *		839	1,087	383	—	3
Total		6,075	25,491	18,374	2,323	658

* Relates mainly to investments in other associates that are inactive as at the balance sheet date.

All the associates are incorporated and operate in Indonesia.

Investments in PT Dunia Air Indah, PT Adnansindo Intiprima, PT Tunas Pundi Bumi, PT Swadaya Teknopolis, PT Gunung Cermai Batamin, PT Ilmu Intiswadaya, PT Bekasi Mega Power, PT Sentra Star Dinamika, PT Siloam Hospitals and PT Serasi Adikarsa are reported under cost method considering those companies have not started commercial operation.

10. Investments

	Rp million	S$'000
Current investments:		
Promissory notes (Note a)		
—Held to maturity	8,200	1,401
Total current investments	8,200	1,401
Non-current investments:		
Investment in equity (Note b)		
—Available for sale	58,343	9,966
Promissory notes (Note a)	2,911	497
Total non-current investments	61,254	10,463
Total investments	69,454	11,864
a) Promissory notes		
—Related party (Note 4)	2,911	497
—Third parties	8,200	1,401
	11,111	1,898

Promissory notes from a related party, PT AsiaNet Multimedia, earned an annual effective interest rate of 7%. These promissory notes will mature on 22 February 2007.

Promissory notes from third parties earned an annual effective interest rate of 15%. These promissory notes will mature on 15 August 2006.

Management is of the view that the carrying value of the promissory notes approximates the fair value as at the balance sheet date.

b) Investment in equity at cost

	Rp million	S$'000
—PT East Jakarta Industrial Park	767	131
—PT Spinindo Mitradaya	160	27
—PT Bahana Dana Prima	2	1
—PT Supermall Karawaci (note ii)	57,373	9,800
—Others	41	7
Total	58,343	9,966

(i) The investment is mainly in unlisted companies. The fair value of these investments cannot be reliably measured as there is no readily available market information for which the company may obtain to assess the range of reasonable fair value. In addition, the probabilities of various estimates cannot be reasonably assessed.

(ii) On 3 November 2004 a subsidiary acquired 10% ownership of PT Supermall Karawaci through purchase of shares owned by Rodamco Indonesia B.V (RI). The acquisition was in line with the terms stipulated in agreement dated 15 June 1999 between Rodamco Indonesia B.V. and ex Lippo Land "Merged Company", Cromwell Investment Ltd, a subsidiary, PT Larasati Anugrerah, a subsidiary, Rodamco Pasific B.V., Golden Mile Finance B.V., and PT Supermall Karawaci.

11. Property, Plant and Equipment

	Beginning Balance Rp million	Additions Rp million	Deductions Rp million	Reclassification Rp million	Ending Balance Rp million
Acquisition cost					
Direct ownership					
Land	225,928	—	—	—	225,928
Building, infrastructure and renovations	388,046	1,586	—	3,956	393,588
Park and interiors	4,120	25	—	—	4,145
Golf course and club house	160,312	199	—	—	160,511
Transportation, equipment and vehicles	22,712	744	1,354	788	22,890
Furniture, fixture and office equipment	166,943	6,536	356	1,060	174,183
Tools and medical equipment	190,083	3,889	42	(700)	193,230
Machinery and project equipment	78,084	646	317	5,568	83,981
Bowling machinery	14,278	105	—	—	14,383
Children's playgrounds	3,122	—	—	—	3,122
	1,253,628	13,730	2,069	10,672	1,275,961
Asset under capital lease	4,623	—	—	(4,072)	551
Construction in progress	45,625	61,511	—	(6,600)	100,536
	1,303,876	75,241	2,069	—	1,377,048
Accumulated depreciation					
Direct ownership					
Building, infrastructure and renovations	57,258	8,157	—	(59)	65,356
Park and interiors	3,058	219	—	—	3,277
Golf course and club house	71,542	4,247	—	(80)	75,709
Transportation, equipment and vehicles	19,231	1,095	1,125	460	19,661
Furniture, fixture and office equipment	123,487	9,294	399	(772)	131,610
Tools and medical equipment	114,948	9,900	24	922	125,746
Machinery and project equipment	43,625	4,551	317	631	48,490
Bowling machinery	10,250	716	—	—	10,966
Children's playgrounds	3,122	—	—	—	3,122
	446,521	38,179	1,865	1,102	483,937
Asset under capital lease	1,245	162	—	(1,102)	305
	447,766	38,341	1,865	—	484,242
Book value	856,110				892,806

	Beginning Balance S$'000	Additions S$'000	Deductions S$'000	Reclassification S$'000	Exchange Translation Difference S$'000	Ending Balance S$'000
Acquisition cost						
Direct ownership						
Land	38,247	—	—	—	349	38,596
Building, infrastructure and renovations	65,693	277	—	691	576	67,237
Park and interiors	697	4	—	—	6	707
Golf course and club house	27,139	35	—	—	247	27,421
Transportation, equipment and vehicles	3,845	131	238	138	34	3,910
Furniture, fixture and office equipment	28,262	1,142	62	185	229	29,756
Tools and medical equipment	32,179	680	7	(122)	282	33,012
Machinery and project equipment	13,219	113	55	973	97	14,347
Bowling machinery	2,417	18	—	—	22	2,457
Children's playgrounds	529	—	—	—	4	533
	212,227	2,400	362	1,865	1,846	217,976
Asset under capital lease	783	—	—	(712)	23	94
Construction in progress	7,725	10,749	—	(1,153)	(146)	17,175
	220,735	13,149	362	—	1,723	235,245
Accumulated depreciation						
Direct ownership						
Building, infrastructure and renovations	9,698	1,425	—	(10)	58	11,171
Park and interiors	517	38	—	—	4	559
Golf course and club house	12,112	742	—	(14)	94	12,934
Transportation, equipment and vehicles	3,212	191	197	80	29	3,315
Furniture, fixture and office equipment	20,991	1,626	70	(134)	161	22,574
Tools and medical equipment	19,417	1,730	4	161	137	21,441
Machinery and project equipment	7,385	796	55	110	48	8,284
Bowling machinery	1,735	125	—	—	13	1,873
Children's playgrounds	529	—	—	—	5	534
	75,596	6,673	326	193	549	82,685
Asset under capital lease	207	28	—	(193)	6	48
	75,803	6,701	326	—	555	82,733
Book value	144,932					152,512

	Rp million	S$'000
Net book value of assets under finance lease at end of period	245	42
Depreciation expenses are allocated as follows:		
Cost of sales	10,110	1,767
Distribution	833	146
Administrative expenses	27,398	4,788
Total	**38,341**	**6,701**

Certain medical equipment of ex Siloam, all medical equipment, machinery and office equipment of PT East Jakarta Medika, a subsidiary, land and building with its supporting facilities of Imperial Aryaduta Makassar Hotel and land and building of Aryaduta Hotel Jakarta were pledged as collateral for loans obtained by the Company and subsidiaries from PT Bank Niaga, PT Bank Permata Tbk and PT Bank International Indonesia Tbk (see Note 18).

All the Company's and subsidiaries' property and equipment have been insured against fire damage and other risks, with sum insured of Rp 740,048 million (S$126.4 million) and USD 22.4 million as of 30 June 2006.

The details of the disposal of property, plant and equipment are as follows:

	Rp million	S$'000
Acquisition cost	2,069	362
Accumulated depreciation	1,866	326
Book value	203	36
Selling price	817	143
Gain on disposal taken to other credit account in income statement	614	107

12. Undeveloped Land

	Rp million	S$'000
The Company	281,526	48,091
Subsidiaries	700,238	119,617
Total	981,764	167,708

Undeveloped land of the Group are located at Curug Wetan, Curug Kulon village, Sukabakti in Curug district, Serdang Wetan village, Rancagong in Legok district; Ciakar village, Serdang Kulon, Cukang Galih, Tangerang Regency, West Java; Jalan Lingkar Luar Barat-Puri Kembangan, West Jakarta; Cipambuan village in Citeureup district, Bogor regency, West Java; Sukaresmi, Cibatu, Cicau, Sukamukti, Sirnajati, Jayamukti, Pasirsari in Lemahabang district, South Cikarang; Tanjung Merdeka village, Barombong, Maccini Sombala, Tamanyeleng, Penambungan, Leite, Matoagin, Bontoranu and Somba Opu in Makassar, South Sulawesi.

Site development permits of each land was obtained from their respective local governors.

Land of PT Gowa Makassar Tourism Development Tbk, a subsidiary, with area of ± 187,480 sqm is pledged as collateral for loan obtained from PT Bank Agroniaga Tbk (see Note 18).

13. Goodwill

	2006	
	Rp million	S$'000
At the beginning of period	145,464	24,849
At end of period	145,464	24,849

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment by each primary reporting segments as follows:

	Housing and land development	Healthcare and hospitals	Hospitality	Consolidated
Cost as at 30 June 2006 in Rp million	145,464	—	—	145,464
Cost as at 30 June 2006 in S$'000	24,849	—	—	24,849

The goodwill was tested for impairment at the beginning and the end of 2005. The Group carried out its last test of impairment of goodwill on 31 December 2005. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs to sell or its value in use. The recoverable amount of the assets has been determined based on fair value less costs to sell because these are property dealing and holding companies.

The fair value at the end of 2005 was determined by PT Penilai, a firm of independent professional valuers, on their reports dated 1, 21, 24 and 28 February 2006 on the assets for which the goodwill is allocated. The key assumptions of the valuation are as follows:

1.	Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the assets.	16%
2.	Growth rates per year based on industry growth forecasts.	8% - 14%
3.	Valuation methodology used.	Income approach, land development approach, sales comparison approach, depreciated replacement cost approach.

Based on the valuation, the management has determined that the recoverable amount of the assets has exceeded the carrying value of the non-financial assets and the goodwill allocated as at 31 December 2005.

During the period, the management reviewed the bases and assumptions used in the calculation of the recoverable amounts above. The management is of the opinion that those bases and assumptions used then are applicable for the period ended 30 June 2006 as there were no significant change in the circumstances that required revision of those bases and assumptions. Management believes that the estimated recoverable amount exceeded the carrying value of the non-financial assets and the goodwill allocated as at 30 June 2006.

14. Other Intangibles

	Rp million	S$'000
Acquisition cost of software:		
At beginning of period	746	126
Additions	1,130	197
Exchange translation differences	—	(2)
At end of period	1,876	321
Accumulated amortisation:		
At beginning of period	536	91
Amortisation for the period	786	137
Exchange translation differences	—	(2)
At end of period	1,322	226
Net book value at end of period	554	95

15. Other Non Current Assets

	Rp million	S$'000
Project advances*	47,518	8,117
Restricted funds	9,149	1,563
Deferred charges	3,686	630
Others	27,112	4,631
Total	87,465	14,941

* Relates mainly to advances to contractors for the development of certain projects.

16. Trade and Other Payables

	Rp million	S$'000
Trade payables:		
Third parties	137,246	23,445
Related parties (Note 4)	40,955	6,996
Accrued liabilities	238,100	40,673
	416,301	71,114
Other payables:		
Dividend payable	59,444	10,154
Deferred income	41,844	7,148
Advances from related parties (Note 4)	464,509	79,349
Advances from customers	91,280	15,593
Deferred gain on sales and leaseback	1,694	289
Other tax payables	120,006	20,500
Others	25,258	4,315
	804,035	137,348
Total trade and other payables	1,220,336	208,462

The average credit period taken to settle trade payables is about 60 days. The other payables are with short-term durations. The notional amount is deemed to reflect the fair value.

17. Income Tax

a. Income tax expense

	Rp million	S$'000
Current	71,484	12,493
Deferred	(17,793)	(3,110)
Total income tax expense	53,691	9,383

The income tax expense varied from the amount of income tax expense determined by applying the Indonesian income tax rate of 30% to profit before income tax as a result of the following differences:

	Rp million	S$'000
Profit before tax	227,133	39,694
Income tax expense at the statutory rate	68,140	11,908
Non-(taxable)/allowance items—net	(11,602)	(2,027)
Others	(2,847)	(498)
Total income tax expense	53,691	9,383

b. Deferred tax assets/(liabilities)

Details of deferred tax assets and liabilities are as follows:

	Balance Sheet		Net Change in income statement	
	Rp million	S$'000	Rp million	S$'000
Deferred tax assets:				
Estimated liabilities on employees' benefits	26,727	4,566	2,110	369
Accumulated losses	26,360	4,503	7,245	1,266
Provision for doubtful accounts	15,619	2,668	8	1
Amortisation of deferred income	567	97	43	8
Others	1,633	279	—	—
	70,906	12,113	9,406	1,644
Deferred tax liabilities:				
Revaluation reserve and others	(80,917)	(13,823)	8,183	1,430
Amortisation of deferred expense	(875)	(149)	85	15
Depreciation	(18,125)	(3,096)	(1,092)	(191)
Allowance for deferred tax assets	(223)	(38)	—	—
Others	(1,423)	(244)	1,211	212
	(101,563)	(17,350)	8,387	1,466
Total	(30,657)	(5,237)	17,793	3,110

It is impracticable to estimate the deferred tax amount that will be utilised within a year.

18. Borrowings

	Rp million	S$'000
Short-term borrowings	208,261	35,576
Current portion of long-term borrowings	65,940	11,264
Long-term borrowings	2,314,349	395,345
Total borrowings	2,588,550	442,185
Classified into:		
Bank	75,521	12,901
Non bank	2,513,029	429,284
Total borrowings	2,588,550	442,185

The details are as follows:

	Effective interest rate	Carrying value	
	(%)	Rp million	S$'000
Third parties Bank			
a. PT Bank Niaga Tbk (iv)	19.56	43,125	7,367
b. PT Bank Agroniaga Tbk (i)	15.50	13,600	2,323
c. PT Bank Permata Tbk (ii)	15.50	11,736	2,005
d. PT Bank Internasional Indonesia Tbk (iii)	17.23	7,060	1,206
		75,521	12,901
Non Bank			
e. Bonds (v)	9.07	2,265,051	386,924
f. Kavling Serasi (vii)	13.50	206,058	35,199
g. Promissory Notes (vi)	12.00	41,920	7,161
		2,513,029	429,284
Total borrowings		2,588,550	442,185

The borrowings are repayable as follows:

	Rp million	S$'000
Below 6 months	237,369	40,548
Within 6 to 12 months	36,831	6,292
Within 1 to 5 years	2,314,350	395,345
Total borrowings	2,588,550	442,185

As at the balance sheet date, the management is of the view that the carrying values of the borrowings approximate their fair value as the interest rates are generally repriced regularly to market interest rates.

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

(i) PT Bank Agroniaga Tbk

- Based on the letter No. 278/Dir.01/VI/2004 dated 15 June 2004, PT Gowa Makassar Tourism Development Tbk, a subsidiary, obtained an approval of a Fixed Installment Loan facility with a maximum limit of Rp 24,200 million for the period of 4 (four) years and bears annual interest rate of 14.5%. This loan is secured by land of approximately 187,480 sqm, 11 (eleven) operational vehicles, office equipment, and receivables with maximum of 25% of the loan limit. The first installment commenced from July 2004.

(ii) PT Bank Permata Tbk

The loan obtained by PT East Jakarta Medika (EJM), a subsidiary, on 29 August 2003, had a maximum limit of Rp 50,000 million with an annual interest rate ranging from 14.5% to 15%. This loan is secured by EJM's assets, as follows:

- Land approximately of 9,990 sqm and building; and
- All existing machines, medical equipment, office equipment, inventory and other assets including all assets that will be acquired in the future by EJM, until the repayment of the loan has been completed.

Amount and types of credit facilities obtained are as follows:

	2006	
	Rp million	S$'000
Revolving loan (RL)	3,444	588
Term loan (TL)	8,292	1,417
Total borrowings	11,736	2,005

The OD and RL facilities are available for the period of 1 (one) year from the date of agreement, and can be extended at the request of EJM. The TL facilities are available for the period 18 (eighteen) months from the date of agreement.

(iii) PT Bank Internasional Indonesia Tbk

Based on the notarial deed of Credit Agreement No. 57 of Sri Hartini Widjaja, SH, dated 30 September 2003, the Company obtained Term Loan (TL) amounting to Rp 12,500 million that consist of:

- Term Loan I (TL I) of Rp 11,000 million; and
- Term Loan II (TL II) of Rp 1,500 million.

TL I falls due on 30 September 2008, and TL II falls due on 18 November 2008 based on the deed of amendment to Credit Agreement No. 46 of the same Notary related to the change in credit maturity period. This loan bears an annual interest rate of 16%.

This loan is secured by land, building, and fiduciary transfer over supporting building facilities of Imperial Aryaduta Makassar Hotel. This loan was used to refinance the loans obtained from PT Bank Lippo Tbk.

(iv) PT Bank Niaga Tbk

- Based on Credit Agreement No. 351/CBG/JKT/05 dated 21 December 2005, the Company obtained Special Transaction Credit facility with maximum amount of Rp 46,000 million, and bear interest rate of 18%. This loan was used to finance renovation of Aryaduta Hotel Jakarta, and Imperial Aryaduta Hotel and Country Club, Karawaci Tangerang, and falls due on 21 December 2009.

This facility is secured by:

1. Right to Build (HGB) No. 292 and 293. Located at Desa Gambir, Kecamatan Gambir, Kotamadya Jakarta Pusat, DKI Jakarta registered under the Company's name.

2. 22 (twenty two) Rights to Build (HGB), which consist of rights numbers: 27, 29, 49, 50, 56, 57, 59, 2063, 2210, 2211, 2212, 2215, 2866, 2867, 2868, 2869, 2886, 3695, 3696, 3761, 3770 and 4028. Located at Desa Kelapa Dua, Kecamatan Curug, Kabupaten Tangerang, Propinsi Jawa Barat registered under the Company's name.

(v) Bonds

On 9 March 2006, Lippo Karawaci Finance B.V. a subsidiary, issued unsecured bonds amounted to USD 250 million with fixed annual interest rate 8.875% and will mature on 9 March 2011. Interest payment will be paid half yearly. The unamortised bonds issuance cost as of 30 June 2006 was Rp 59,949 million. This bond is hedged by call spread option facility with several parties (Note 29.k). The fair value approximates the carrying value.

(vi) Promissory Notes

On 30 June 2006, the outstanding balance of promissory notes issued by PT Lippo Cikarang Tbk (LC), a subsidiary, was Rp 41,920 million, with annual interest rate of 12%. These promissory notes had been extended several times, with the latest maturing on 31 December 2006. The issuance of these promissory notes was managed by Asia Growth Investment Limited.

(vii) Kavling Serasi

"Kavling Serasi" represents payments received from buyers of property product namely "Kavling Serasi" that was sold with a pre-selling system through the Company's marketing network. As evidence of payment, buyers receive a Kavling Serasi certificate issued by the Company, by which buyers automatically have the right to chose at anytime a certain piece of land in Kavling Serasi or choose another piece of the Company's land, or another Company's product within a certain agreed upon period of time. Each purchase is also entitled to a money-back guarantee with a certain rate of return determined in advance, and after a certain period (maximum 12 months), if buyers decide not to buy any of the Company's products. The seller and buyer may cancel product "Kavling Serasi" transaction according to the terms stipulated on the certificate. The "Kavling Serasi" product is not pledged as collateral.

19. Retirement Benefit Obligations

The Company and its subsidiaries have determined and recognised liabilities on employees' benefits in accordance with the existing manpower regulations in Indonesia. Estimated liabilities on employees' benefits as of 31 December 2005 was calculated by two independent actuaries, which are PT Pointera Aktuarial Strategis and PT Dayatamandiri Dharmakonsilindo, with their reports dated 23 January 2006 and 2 January 2006, respectively. The present value of liabilities, related current service cost and past service cost have been calculated by independent actuaries by using the following assumptions:

Interest Rates	:	10% - 12%
Salary Increase Projection Rate	:	10%
Mortality Rate	:	100% TMI2 and CSO'80
Permanent Disability Rate	:	5%
Withdrawal Rate	:	18 – 29 : 1% - 8.5% per annum 30 – 39 : 1% - 6% per annum 40 – 44 : 1% - 4% per annum > 45 : 1% per annum
Proportion Method Intake of Normal Pension Method	:	100%
Method	:	Projected Unit Credit

During the period, the Company reviewed the bases and assumptions used in the calculation of the provision for the retirement benefit obligations as at 31 December 2005 and management is of the opinion that those bases and assumptions used then are applicable for the period ended 30 June 2006 as there were no significant change in the circumstances that required revision of those bases and assumptions. The management believes that the estimate of employees' benefit assets is sufficient to cover liabilities.

20. Issued Capital

	Number of shares	% of ownership	Rp million	S$'000
Stockholders				
Greatmind Investment Limited	452,785,270	15.44	226,393	54,762
Pacific Asia Holdings Ltd	409,215,676	13.95	204,608	49,493
Capital Bloom Investment Ltd	227,658,750	7.76	113,829	27,534
Others (each less than 5%)	1,843,468,966	62.85	921,734	222,959
Total	2,933,128,662	100.00	1,466,564	354,748

Based on notarial deed of Statement of Extraordinary Shareholders' General Meeting No. 5 of Unita Christina Winata, SH, dated 15 December 2004, the Company issued new shares to the shareholders through a Limited Public Offering II in conjunction to Preemptive Rights Issuance. The authorized capital was 8,000,000,000 shares, and issued and fully paid capital was increased from 2,050,943,750 shares to 2,932,849,563 shares with a par value of Rp 500 per share. The issued and fully paid capital was approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decree No. C-07114.HT.01.04.TH.2005 dated 17 March 2005. The period to register, order and make payment of this offering commenced on 29 December 2004 and continued until 17 January 2005. In 2006, 279,099 warrants series I were exercised.

On 30 June 2006, the number of unexercised warrants is 528,864,341 at Rp 1,750 per share and will expire on 30 November 2007.

21. Reserves

	Rp million	S$'000
Retained earnings	637,630	103,447
Capital reserve at date of acquisition of businesses	188,449	33,148
Paid in surplus	898,958	164,433
Exchange translation differences	—	(110,576)
	1,725,037	190,452

Movements of retained earnings are disclosed in the statement of changes in equity. Movements of other reserves are as follows:

		Rp million	S$'000
(i)	Capital reserve at date of acquisition of businesses		
	At beginning of the financial period	188,449	33,148
	At end of the financial period	188,449	33,148
(ii)	Paid in surplus		
	At beginning of the financial period	898,609	164,370
	Issue of share capital	349	63
		898,958	164,433
(iii)	Exchange translation differences		
	At beginning of the financial period		(115,085)
	Exchange translation adjustment for the period		4,509
			(110,576)

22. Revenue

	Rp million	S$'000
Housing and land development:		
Shopping centers	162,552	28,408
Residential houses and shophouses	80,290	14,032
Lands for industrial and commercial	172,076	30,073
	414,918	72,513
Healthcare and hospitals:		
Inpatient department		
Drugs and medical supplies	65,686	11,479
Medical support services	18,264	3,192
Professional fees	47,275	8,262
Ward fees	29,200	5,103
Administration fees	9,063	1,584
Operating theater	5,689	994
Delivery fees	502	88
Others	5,903	1,032
	181,582	31,734
Outpatient department		
Medical support services	74,904	13,090
Professional fees	22,522	3,936
Registration fees	4,044	707
Others	5,104	892
	106,574	18,625
	288,156	50,359
Infrastructure and hospitality:		
Hotel and restaurants	83,723	14,632
Town management	29,471	5,150
Water treatment	24,164	4,223
Recreation and sports	19,860	3,471
Asset enhancement	11,823	2,066
Others	5,015	877
	174,056	30,419
	877,130	153,291

23. Finance Income

	Rp million	S$'000
Gain on foreign exchange adjustments	27,033	4,724
Interest income	24,089	4,210
	51,122	8,934

Interest income represents interest earned from investments, cash equivalents, and bank accounts.

24. Finance Expense

	Rp million	S$'000
Interest expense	(27,000)	(4,719)
Provision for doubtful account receivables	(25)	(4)
	(27,025)	(4,723)

Interest expense represents interest on loans.

25. Other Credits (Charges)

	Rp million	S$'000
Penalties expense	(646)	(113)
Gain on disposal of property, plant and equipment	614	107
Rental	283	49
Amortisation of deferred expenses	(760)	(132)
Others	(9,294)	(1,624)
Total	(9,803)	(1,713)

26. Employee Benefits Expenses

	Rp million	S$'000
Employee benefits expense including directors	172,467	30,141
Contributions to defined contribution plan	4,065	710
Contributions to defined benefit plan	7,033	1,229
Total employee benefits expense	183,565	32,080

27. Earnings Per Share

Basic earning per share (EPS) is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders' of Rp 166,619 million or S$ 29.1 million with the weighted average of shares outstanding for the period ended 30 June 2006 of 2,932,958,936 shares.

Diluted earning per share is computed by dividing residual net income (income or loss after tax less preferred stock dividend) available to common stockholders' of Rp 166,619 million or S$ 29.1 million with unexercised warrant and the weighted average of shares outstanding for the period ended 30 June 2006 of 3,461,823,277.

28. Dividends

Based on notarial deed of Statement of Shareholders' General Meeting No. 15 of Unita Christina Winata, SH, dated 18 June 2006, concerning among others, the dividend declaration of Rp 58,657 million from profit for the year ended 31 December 2005.

Dividends for the minority interests were in respect of the dividends declared by subsidiaries.

29. Commitments and Contingencies

a. On 13 September 1995, the cooperation agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak between the Company and PT Jasa Marga (Persero) (JM), a state owned enterprise, was legalised in notarial deed No. 84 by Agus Madjid, SH (Revenue Sharing Agreement). The construction shall be completed by the Company within a certain period as mutually agreed upon by both parties with total project cost of Rp 31,509,304,000, consisting of Rp 20,113,174,000 for the Karawaci Interchange and Rp 11,396,130,000 for the Crossing Gate. JM will operate the project upon completion and reimburse the project cost to the Company amounting to 40.5% of the daily toll revenues.

The payment from JM to the Company was arranged as follows:

(i) Payment for the Karawaci Interchange amounting to 17.5% of toll revenues for a period of 10 (ten) years since commencement date. This payment does not include interest; and

(ii) Payment for the Crossing Gate amounting to 23% of toll revenues for a period of 10 (ten) years since commencement date and should there remain as unpaid obligation at the end of the ten years, and JM shall pay the entire debt within 3 (three) months thereafter. This payment includes interest at 2.5% above the average one-year time deposit rate of 5 (five) government banks.

Based on notarial deed No. 94 by Agus Majid, SH, dated 30 March 2004, the Company and JM amended the Revenue-Sharing Agreement for the construction and development of Karawaci Interchange and Crossing Gate of Jakarta-Merak as drawn up in notarial deed No. 84 of Agus Madjid, SH dated 13 September 1995. The construction which was completed by the Company with total project cost of Rp 19,426,689,000 will be refunded by JM based upon a profit sharing scheme of the daily toll revenues from North and South Karawaci exit toll gates for a period of 10 (ten) years starting from 1 October 2001, with proportion as follows:

- 82.5% for JM including operational and maintenance expenses of 18%; and
- 17.5% for the Company.

b. The Company and its subsidiaries entered into several agreements with contractors for development of their projects. On 30 June 2006, the total contract value on Housing and Land Development segment amounted to Rp 180,408,448,220.

c. On 19 August 2003, PT Muliasentosa Dinamika (MSD), a subsidiary, entered into a management agreement No. 015/AGR/BMS/HT/VIII/03 for shophouses and parking building with Coldwell Banker (CB), wherein CB will provide building management services for shophouses and parking building for a period of 1 (one) year ended on 30 June 2006. For the service of managing the shophouses and parking building, MSD shall pay a certain amount to CB as specified in the agreement.

d. On 18 December 1975, ex Aryaduta entered into a management agreement with Hyatt International – Asia Pacific Limited (Hyatt), Hongkong (previously Hyatt of Hongkong Limited) to operate Aryaduta Hotel Jakarta (AHJ) until 31 December 2005. On 15 December 1997, Hyatt transferred its rights and obligations under the management agreement to PT Hyatt Indonesia. On 13 May 2002, this agreement was amended to extend the operating period until 31 December 2015 and to include completion of the renovation program by 31 December 2004. On 16 September 2002, the agreement was further amended to extend the deadline for the completion of the renovation program to 31 December 2005. Based on the agreement, Hyatt will receive management and incentive fees computed at a certain rate, depending upon the fulfillment of certain conditions mentioned in the agreement.

Management and incentive fees charged to operations for the periods ended 30 June 2006 amounted to Rp 925,815,409.

On 30 June 2006 management and incentive fees payables to Hyatt amounted to Rp 272,947,114.

e. On 17 September 1993, ex Aryaduta entered into an agreement with the Regional Government of Riau ("Riau Government") in connection with the operation of Aryaduta Hotel Pekanbaru (AHP). According to the agreement, the Company agreed to plan, develop and operate AHP whilst the Riau Government agreed to provide Rights to Use No. 466 with land area of 21,360 sqm at Jl. Diponegoro, Simpang Empat, Pekanbaru. The Government receives a royalty fee and a share in the hotel's profits as compensation. This agreement is valid for 25 years commencing from the date of the grand opening of the hotel and can be extended for another 10 years. In an amendment to the agreement with the Regional Government dated 7 July 1997, the Regional Government of Riau granted a landright in the name of ex Aryaduta which will be returned to Regional Government of Riau at the end of the agreement. The grand opening was conducted at 1 January 2001.

Royalty fee expenses charged to operations for the periods ended June 30 2006 amounted to Rp 111,111,000.

f. On 20 August 2004, the Company entered into an agreement with PT Untaian Rejeki Abadi (URA) whereby the Company will provide technical and marketing services to URA's business property with area of 10,568 sqm for a period up to 27 May 2034, which can be extended. URA shall pay a certain amount as specified in the agreement.

g. Based on lease agreement No. 062/LK-PSM/LGL/VII/05 dated on 31 August 2005, the Company entered into lease agreement with PT Matahari Putra Prima Tbk (MPPA) that commenced on 1 September 2005 and will expired on 31 August 2010. The Company lease fully furnished residential house to MPPA.

The total rental fee for the period of 5 years is USD 348,000 (excluding VAT). The rental fee will be paid in advance for the first two years in the amount of USD 120,000 and payable upon signing and commencement of the lease agreement, whichever is earlier.

MPPA shall pay to the Company a security deposit amounting to USD 15,000 equivalent to 3 months based on rental to secure payment of all liabilities of MPPA as stipulated in the lease agreement. The security deposit shall be paid by the second parties upon signing of the lease agreement.

h. Based on lease agreement No. 001/LA-LK/PTLK-PTKG/BD-106/II-05 dated 4 March 2005 which was amended on 21 October 2005, the Company lease a plot of land with area of 8,848.57 sqm to PT Kridapetra Graha . The lease period is for 10 years commencing from the lease agreement date. Total value of the lease amounts to Rp 16,560,000,000 with the initial base rent for the first three years starting at Rp 40,000 per sqm per month inclusive of 10% Withholding Tax and 10% Value Added Tax.

PT Kridapetra Graha agreed to pay a security deposit amounting to Rp 443,796,000 in the form of a Bank transfer (cash deposit), and will be refunded when the lease period ends, or expires, or terminates.

i. On 9 June 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with J.P. Morgan (S.E.A) Limited, Singapore amounted to USD 25,000,000 for spread interval ranging from Rp 8,250; Rp 9,200 to Rp 12,000. The tenor of the facility is for 5 (five) years and falls due on 9 March 2011. Up to 30 June 2006, the unrealized gain amounted to Rp 2,500,000,000.

On 17 May 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with BNP Paribas, Singapore and UBS AG, Singapore amounting to USD 25,000,000, respectively, for spread interval ranging from Rp 9,200 to Rp 12,000. The tenor of the facility is for 5 (five) years and fall due on 9 March 2011. Up to 30 June 2006, the unrealized gain from BNP Paribas and UBS AG amounted to Rp 2,500,000,000, respectively.

On 5 April 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with Merrill Lynch & Co., Singapore amounting to USD 50,000,000 for spread interval ranging from Rp 9,200 to Rp 12,000. The tenor of the facility is for 5 (five) years and fall due on 9 March 2011. Up to 30 June 2006, the unrealized gain amounted to Rp 5,000,000,000.

On 4 April 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with Deutsche Bank AG, Singapore amounted to USD 25,000,000 for spread interval ranging from Rp 9,000 to Rp 12,000. The tenor of the facility is for 5 (five) years and fall due on 9 March 2011. Up to 30 June 2006, the unrealized gain amounted to Rp 7,500,000,000.

On 28 March 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with UBS AG, Singapore amounting to USD 25,000,000 for spread interval ranging from Rp 9,015 to Rp 12,000. The tenor of the facility is for 5 (five) years and fall due on 9 March 2011. Up to 30 June 2006, the unrealized gain amounted to Rp 7,125,000,000.

On 24 March 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with BNP Paribas, Singapore amounting to USD 25,000,000 for spread interval ranging from Rp 9,200 to Rp 12,000. The tenor of the facility is for 5 (five) years and fall due on 9 March 2011. Up to June 30, 2006, the unrealized gain amounted to Rp 2,500,000,000.

The unrealized gain above have been accounted for as finance income in Consolidated Statement of Income.

j. On 9 April 2006, PT Consulting & Management Service Division (CSMD), a subsidiary, entered into shopping centers management agreement with the ultimate shareholders of the shopping centers for managing, marketing and maintaining the facilities. CSMD will receive management fee according to the agreement.

k. In 2003, based on the Legal Case Register No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/ 2003/PTUN- JKT dated 11 February 2003, H. Jen Bin Genjul and its associated parties, sued the Head of Land Office of West Jakarta as Defendant; the Head of BPPN as Defendant II Intervention and PT Mandiri Cipta Gemilang (MCG), a subsidiary, as Defendant II Intervention 1, amongst others claiming for the cancellation (due to its illegality) of the HGB certificates (Right to Build) No. 1810, No. 1811 and No. 2591 of the land located at South Kembangan, which were initially owned by PT Antilope Maju that was later transferred to MCG, a subsidiary. Based on the decision of the Jakarta Administrative Court No. 29/G.TUN/2003/PTUN-JKT and No. 30/G.TUN/ 2003/PTUN-JKT dated 31 July 2003, those claims were rejected. This judgment was later confirmed by the Jakarta State Administration High Court. Upon the judgment to the case aforesaid, the plaintiffs are pursuing an appeal.

As at completion date of this consolidated financial statements, the case is still in the cassation process at the Supreme Court.

The land of which the title deeds in dispute were supported with certificates obtained from BPPN through Sale and Purchase Agreement No. 137/2003 dated 8 May 2003. Based on the progress of the claim above, the Company's legal counsel believes that MCG has a strong position and the impact of those cases will not cause significant liabilities or potential losses to MCG.

l. Based on the Legal Case Register No. 15/PDTG/2005/PN.TNG, No. 1 6/PDTG/2005/PN.TNG, and No. 17/P DTG/2005/PN.TNG dated 24 January 2005 and No. 77/PDTG/2005/PN.TNG, No. 78/PDTG/ 2005/PN.TNG, No. 79/PDTG/2005/PN .TNG, No. 80/PDTG/2005/PN .TNG and No. 81/PDTG/2005/PN.TNG dated 12 June 2005, respectively, Menanti Panjaitan, SH, Mayjen TNI (Purn) M.Y Amin Suyitno, SH, Rudy Andreas Tampi, Ng A Hwi, Ridwan Sunardi, Silvia Sunardi, Tansri Singaju Benui and Aida Sutjiono sued the Company (ex Lippo Land). Based on the case, it was stated that compensation was demanded due to the allegation that kiosks at Depok Town Square was sold to the above mentioned parties at the point where the land status was still under dispute (court case). In 2005, the land dispute case, based on the legal case Register No. 15-16-17, was cancelled by the Banten High Court, whilst the legal case Register No. 77-78-79-80-81 was rejected by Tangerang District Court's. Upon the judgement to the case aforesaid, the plaintiffs are pursuing remedy either by cassation through Supreme Court of the Republic of Indonesia or by appeal through Banten High Court. According to the Company's legal counsel, the event will not influence nor threaten the ownership status of the land on which Depok Town Square is being built.

30. Operating Lease Payment Commitments

The Group has no significant lease commitments.

31. Financial Information by Segments

Primary segment information of the Group is presented based on business segment group. Business segment is a distinguishable component and results in a different products or services based on different industry or a product group or service, especially for customers outside the Group.

The Group's business segment consists of Housing and Land Development, Healthcare and Hospitals, and Infrastructure and Hospitality. Housing and Land Development segment comprises, amongst other, activities in real estate, urban development, land acquisition and clearing, land development and excavation, infrastructure development. Healthcare and Hospitals segment comprises activities in health services. Infrastructure and Hospitality segment comprises, amongst others, activities in hotels, restaurants, town management and water and sewage treatment, rental service, recreation center, transportation and management service.

Segment information about these businesses is presented below:

	Housing and land development Rp million	Healthcare and hospitals Rp million	Infrastructure and hospitality Rp million	Consolidated Rp million
Revenue				
External	414,918	288,156	174,056	877,130
Total revenue	414,918	288,156	174,056	877,130
Result				
Segment results	261,815	71,855	103,652	437,322
Allocated operating expenses *	(143,207)	(22,222)	(61,347)	(226,776)
Profit	118,608	49,633	42,305	210,546
Finance income (charges)	26,429	(2,380)	48	24,097
Other income (expenses)	(5,939)	(3,464)	(400)	(9,803)
Share of profit of associates	2,293	—	—	2,293
Profit before tax	141,391	43,789	41,953	227,133
Income tax				(53,691)
Profit before minority interests				173,442
Minority interests				6,823
Profit for the period attributable to equity holders of the Company				166,619
Segment assets	5,279,499	1,177,358	1,171,784	7,628,641
Investment in associates	33,183	2,378	—	35,561
Total assets	5,312,682	1,179,736	1,171,784	7,664,202
Segment liabilities	3,881,404	150,726	126,586	4,158,716
Total segment liabilities	3,881,404	150,726	126,586	4,158,716
Capital expenditure	56,923	7,248	11,070	75,241
Depreciation	3,227	14,302	20,812	38,341
Non-cash expenses other than depreciation	—	652	284	936

	Housing and land development S$'000	Healthcare and hospitals S$'000	Infrastructure and hospitality S$'000	Consolidated S$'000
Revenue				
External	72,513	50,359	30,419	153,291
Total revenue	72,513	50,359	30,419	153,291
Result				
Segment results	45,756	12,557	18,115	76,428
Allocated operating expenses *	(25,027)	(3,884)	(10,722)	(39,633)
Profit	20,729	8,673	7,393	36,795
Finance income (charges)	4,619	(416)	8	4,211
Other income (expenses)	(1,038)	(605)	(70)	(1,713)
Share of profit of associates	401	—	—	401
Profit before tax	24,711	7,652	7,331	39,694
Income tax				(9,383)
Profit before minority interests				30,311
Minority interests				1,192
Profit for the period attributable to equity holders of the Company				29,119
Segment assets	901,861	201,121	200,168	1,303,150
Investment in associates	5,669	406	—	6,075
Total assets	907,530	201,527	200,168	1,309,225
Segment liabilities	663,034	25,748	21,624	710,406
Total segment liabilities	663,034	25,748	21,624	710,406
Capital expenditure	9,947	1,267	1,935	13,149
Depreciation	564	2,500	3,637	6,701
Non-cash expenses other than depreciation	—	114	50	164

* All operating expenses relating to each segment are charged to each segment whereas common cost are charged entirely to housing and land development segment

The Group operates predominantly in Indonesia.

32. Assets and Liabilities Denominated in Foreign Currencies

	Foreign Currencies ('000)					Equivalent to Rupiah	Equivalent to SGD
	USD	GBP	SGD	EUR	HKD	Rp million	S$'000
Assets							
Cash and cash equivalents	70,966	1	10	20	4	660,297	112,794
Trade and other receivables	2,640	—	—	—	—	24,551	4,194
Other non current assets	50	—	—	—	—	465	80
Total assets	73,656	1	10	20	4	685,313	117,068
Liabilities							
Long term borrowings	250,000	—	—	—	—	2,325,000	397,164
Trade and other payables	8,029	—	—	—	—	74,664	12,755
Total liabilities	258,029	—	—	—	—	2,399,664	409,919
Total net liabilities	**(184,373)**	**1**	**10**	**20**	**4**	**(1,714,351)**	**(292,851)**

33. Subsequent Events

a. Based on the declaration of resolutions from the General Meeting of Shareholders as covered in Notarial Deed No. 33 of Unita Christina Winata, SH, dated 28 April 2006, concerning the change in the Company's Articles of Association pertaining to exercise the Company's stock split at par value of Rp 500 to be Rp 250. This amendment was reported to the Minister of Justice and Regulation of the Republic of Indonesia No. C-13265.HT.01.04.TH.2006 dated 8 May 2006. The stock split was exercised on 28 July 2006.

b. On 11 July 2006, the Company entered into a Non Deliverable USD Call Spread Option facility agreement with J.P. Morgan (S.E.A) Limited, Singapore amounting to USD 35,000,000 for spread interval ranging from Rp 8,250; Rp 9,200 to Rp 12,000. This option will be due on 9 March 2011.

34. Adoption of New Accounting Standards

a. The following IFRS have been adopted from 1 January 2006. The transfer to the new/revised standards from the effective date has not resulted in material adjustments to the financial position, results of operations, or cash flows for the period:

IFRS 6—Exploration for and Evaluation of Mineral Resources (*)

Amendments to IAS 19 Actuarial gains and losses, group plans and disclosures (*)

Amendments to IAS 39 Financial Instruments: Recognition and measurement on hedge accounting provision, fair value option and financial guarantee contracts (*)

Amendments to IFRS 1 First-time Adoption of Financial Reporting Standards on comparative disclosures for IFRS 6 Exploration for and Evaluation of Mineral Resources (*)

Amendments to IFRS 4 Insurance Contracts on financial guarantee contracts (*)

IFRIC 4—Determining whether an Arrangement contains a Lease

IFRIC 5—Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (*)

IFRIC 7—Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (*)

b. The following IFRS have been issued and they are effective in the future period. The transfer to the new/revised standards from the effective date is not expected to have significant impact on the financial statements:

			Effective date (Annual period beginning)
IFRS 7	-	Financial Instruments : Disclosures	1 January 2007
IAS 1	-	Presentation of Financial Statements : Added disclosure about an entity's capital	1 January 2007
IFRIC 8	-	Scope of IFRS 2	1 May 2006
IFRIC 9	-	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	-	Interim Financial Reporting and Impairment	1 November 2006

(*) Not applicable to the entity.

35. Management Responsibility on the Consolidated Financial Statements

The management of the Company is responsible for the preparation of the consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on the Date of Prospectus.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT SINGAPORE TAXATION REPORT

The Board of Directors
Bowsprit Capital Corporation Limited
as Manager of First Real Estate Investment Trust
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
as Trustee of First Real Estate Investment Trust
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

4 December 2006

Dear Sirs

Singapore Taxation Report

This letter has been prepared at the request of PT. Lippo Karawaci Tbk (the "**Sponsor**") and Bowsprit Capital Corporation Limited (the "**Manager**") for inclusion in the Prospectus for First Real Estate Investment Trust ("**First REIT**") dated 4 December 2006 in connection with the listing of First REIT on the Singapore Exchange Securities Trading Limited.

The purpose of this letter is to provide prospective purchasers of the units in First REIT ("**Units**") with an overview of the Singapore income tax consequences of the purchase, ownership and disposition of the Units. This letter principally addresses Unitholders who hold the Units as investment assets. Unitholders who hold or have acquired the Units for dealing purposes should consult their own tax advisers concerning the tax consequences of their particular situations.

This letter is not a tax advice and does not attempt to describe comprehensively all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Units. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situations. In particular, Unitholders who are not Singapore tax residents are advised to consult their own tax advisers to take into account the tax laws of their respective countries of residence and the existence of any tax treaty which their country of residence may have with Singapore.

This letter is based on the Singapore income tax law and the relevant interpretation thereof current at the date of this letter, all of which are subject to change, possibly with retroactive effect.

Words and expressions defined in the Prospectus have the same meaning in this letter. In addition, unless the context requires otherwise, words in the singular include the plural and the other way around and words of one gender include any gender.

Singapore Taxation of Trusts in General

Under current Singapore income tax law, a trustee is liable to income tax on the taxable income of a trust. The taxable income of a trust comprises:-

(a) income accruing in or derived from Singapore; and

(b) unless otherwise exempt, income derived from outside Singapore which is received in Singapore or deemed to have been received in Singapore by the operation of law.

The taxable income of a trust is ascertained in accordance with the provisions of the Singapore income tax law, after deduction of all allowable expenses and any other allowances permitted under the law. This taxable income is taxed at the prevailing corporate rate of income tax and the tax is assessed on, and collected from, the trustee.

Also, under the current Singapore income tax law, a beneficiary of a trust is taxed on the income of the trust to which he is beneficially entitled. The trust income that is taxable in the hands of the beneficiary is the amount of the taxable income of the trust that corresponds to his beneficial entitlement. A corresponding amount of the tax paid by the trustee on the taxable income of the trust is generally imputed as a tax credit to the beneficiary of the trust (the "**imputed tax credit**"). The amount of tax credit is calculated by multiplying the regrossed amount of the distribution with the corporate tax rate applicable to the year in which the distribution is made. This imputed tax credit is available to the beneficiary for offset against his income tax liability on his overall income subject to Singapore income tax (including his beneficially entitled portion of the income of the trust), provided he is liable to tax on his beneficially entitled portion of the income of the trust. This treatment of imputing the tax paid as a credit to unitholders will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the trustee will be exempt from tax in the hands of unitholders.

The interpretation of the Inland Revenue Authority of Singapore ("**IRAS**") is that the source of income of a beneficiary of a trust is his entitlement to the share of the income of the trust. Following this interpretation of the IRAS, the taxable distribution received by beneficiaries is generally considered gains or profits of an income nature taxable under Section 10(1)(g) of the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**"). The distribution received by a beneficiary who deals in the units of a trust, however, would be taxable under Section 10(1)(a) of the Income Tax Act as income from a trade or business.

Singapore Taxation of First REIT

The Singapore taxation of the income of First REIT and the Singapore SPCs and any gains derived by them from the disposal of their investments is described below.

Singapore SPCs

Dividends from Indonesian SPCs

Provided the Singapore SPCs are tax resident in Singapore for Singapore income tax purposes, the dividends they received in Singapore from the relevant Indonesian SPCs will be exempt from Singapore income tax under Section 13(8) of the Income Tax Act. This exemption applies if the following conditions are met:

(a) in the year the dividends are received in Singapore, the headline corporate tax rate in Indonesia is at least 15.0%;

(b) the dividends have been subject to tax in Indonesia; and

(c) the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the Singapore SPCs.

Based on the current tax laws in Indonesia, the dividends from the Indonesian SPCs will meet the aforesaid conditions.

A company is considered a tax resident of Singapore if its business is controlled and managed in Singapore, for example, if its board of directors meets and conducts the company's business in Singapore.

Interest Income from Indonesian SPCs

Singapore SPCs will be exempt from Singapore income tax under Section 13(12) of the Income Tax Act on the interest income received from the respective Indonesian SPCs. The tax exemption under Section 13(12) is granted by the Singapore Ministry of Finance on the condition that the full amount of remitted interest, less attributable expenses, must be distributed to First REIT for onward distribution to its Unitholders.

Gains on Sale of Ordinary Shares in Indonesian SPCs

Singapore does not impose tax on capital gains. Gains derived by the Singapore SPCs from the disposal of their respective ordinary shares in the Indonesian SPCs will not be liable to Singapore income tax unless the gains are considered income of a trade or business. Such gains may also be liable to tax if the ordinary shares in the Indonesian SPCs were acquired with the intent or purpose of making a profit from their subsequent sale and not for long-term investment purposes.

Repayment of loans by Indonesian SPCs

The Indonesian SPCs may use surplus cash that cannot be distributed as dividends to repay partially the principal amount of the loans from the Singapore SPCs. The amounts received by the Singapore SPCs from the repayment of the principal amount of the loans are not taxable.

First REIT

Dividends from Singapore SPCs

First REIT will receive one-tier (tax exempt) dividends from the Singapore SPCs, provided that the Singapore SPCs are tax resident in Singapore for Singapore income tax purposes. First REIT will be exempt from tax on such dividends.

Proceeds from Redemption of Redeemable Preference Shares in Singapore SPCs

Proceeds received by First REIT from the redemption, at cost, of redeemable preference shares in the Singapore SPCs are not taxable.

Gains on Sale of Ordinary Shares and/or Redeemable Preference Shares in Singapore SPCs

Singapore does not impose tax on capital gains. Gains derived by First REIT from the disposal of ordinary shares and/or redeemable preference shares in the Singapore SPCs will not be liable to Singapore income tax unless the gains are considered income of a trade or business. Such gains may also be liable to tax if the shares were acquired with the intent or purpose of making a profit from their subsequent sale and not for long-term investment purposes.

Singapore Taxation of Unitholders

Subject to First REIT's distribution policy (See "Distributions" in the Prospectus), the Trustee and the Manager will, in relation to a distribution period, make the following distributions to Unitholders:

(a) Tax-Exempt Income Distribution; and

(b) Distribution out of its capital ("**Capital Distribution**").

Should First REIT dispose of any shares in the Singapore SPCs, the Trustee and the Manager may also, at their discretion, make a distribution out of the gains on disposal of such shares.

The tax treatment of each type of distributions and gains on disposal of Units is described below.

Tax-Exempt Income Distribution

Tax-Exempt Income Distribution refers to distribution made by the Trustee and the Manager out of First REIT's income that is exempt from tax, for example, one-tier (tax exempt) dividends received on the ordinary shares held in the Singapore SPCs. For this purpose, although the profits derived from the Properties for a distribution period can only be received in Singapore by First REIT from the Singapore SPCs in the form of one-tier (tax exempt) dividends within one to two months after the end of that distribution period, First REIT has obtained approval from the IRAS to treat distribution based on tax-exempt income that it will receive from the Singapore SPCs within one or two months after the end of the distribution period as Tax-Exempt Income Distribution. This approval is subject to a rollover adjustment mechanism. Under this mechanism, the amount of tax-exempt income that First REIT expects to receive from the Singapore SPCs is compared with the amount of actual tax-exempt income subsequently received by First REIT. In the event that the amount of actual tax-exempt income received is lesser, the amount of Tax-Exempt Income Distribution for the distribution period ending immediately after the receipt of the tax-exempt income will be reduced by the amount of tax-exempt income over-distributed.

Tax-Exempt Income Distribution is exempt from tax in the hands of all Unitholders.

Capital Distribution

Capital Distribution refers to distribution made by the Trustee and the Manager out of Unitholders' contributions (i.e. capital). The distribution made by First REIT out of the amount received from the redemption of redeemable preference shares in the Singapore SPCs is a Capital Distribution. Capital Distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not income subject to tax.

For Unitholders who hold the Units as trading or business assets and are liable to Singapore income tax on gains arising from disposal of the Units, the amount of Capital Distribution will be applied to reduce the cost of their Units for the purpose of calculating the amount of taxable trading gains arising from a subsequent disposal of the Units. In the event that the amount of Capital Distribution exceeds the cost of the Units, the excess will be subject to tax.

Distribution out of Taxable Trading Gains

Unless otherwise exempt, Unitholders are liable to Singapore income tax on distribution made by First REIT out of its taxable trading gains, for example, gains arising from the disposal of shares in the Singapore SPCs which are determined to be trading gains. The tax on such gains is assessed on, and collected from, the Trustee. Such a distribution is taxed as income of the year in which the distribution is made. The amount of distribution taxable is the amount of distribution regrossed at the corporate tax rate applicable to the year in which the distribution is made. Unitholders are entitled to claim an imputed tax credit as a set-off against their Singapore income tax liabilities, including the tax liability on the regrossed amount of distribution received from First REIT, only if they are liable to tax on the distribution. Where the imputed tax credit is higher than the Singapore income tax liability, the excess will be refunded to Unitholders by the IRAS. This treatment of imputing the tax paid as a credit to unitholders will cease to apply if an amendment in the Income Tax (Amendment) Bill 2006 that was introduced in Parliament on 8 November 2006 is legislated. Under the proposed amendment, distributions made out of income subject to tax on the trustee will be exempt from tax in the hands of unitholders.

Distribution out of Capital Gains

Distribution out of capital gains is not a taxable distribution to Unitholders, unless the distribution is considered gains or profits of a trade or business carried on by the Unitholder, for example, if the Units are held as trading assets.

Gains on Disposal of Units

Singapore does not impose tax on capital gains. Therefore, gains on disposal of the Units that are capital in nature will not be subject to tax. However, such gains may be considered income in nature and subject to Singapore income tax if they arise from or are otherwise connected with the activities of a trade or business carried on in Singapore. Such gains may also be considered income in nature, even if they do not arise from an activity in the ordinary course of trade or business or an ordinary incident of some other business activity, if the Unitholder had no intention to hold the Units as long-term investments.

If a Unitholder has held the Units as investment assets, any gains arising from sale of the Units should be considered capital gains and hence not subject to Singapore income tax. However, if the Units have been held as trading assets of a trade or business carried on in Singapore, the gains arising from the sale will be taxed as income. The precise tax status of one Unitholder will vary from another. Because of this, Unitholders are advised to consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

Yours faithfully

Ernst & Young
Singapore
Lim Gek Khim
Tax Partner

INDEPENDENT INDONESIAN TAXATION REPORT

Jakarta, 4 December 2006

Letter No. TAP—0882

The Board of Directors
Bowsprit Capital Corporation Limited
as Manager of First Real Estate Investment Trust
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

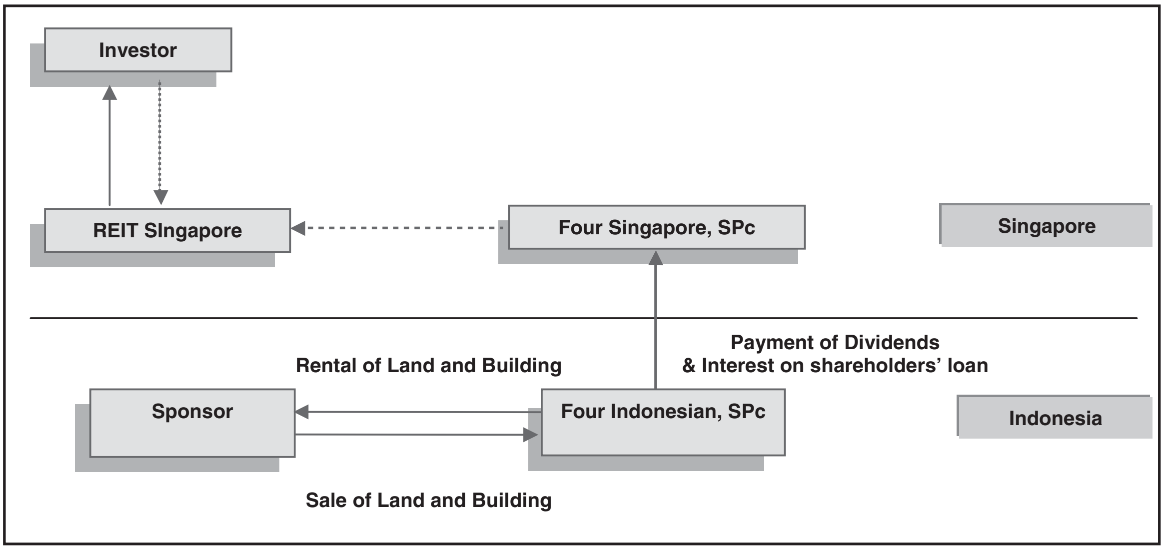
HSBC Institutional Trust Services (Singapore) Limited
as Trustee of First Real Estate Investment Trust
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

Dear Sirs,

Re : Tax Implications on First REIT

This letter has been prepared for First REIT, which is a Real Estate Investment Trust which is expected to launch soon. PT. Lippo Karawaci, Tbk ("Lippo Karawaci" or the "Sponsor"), as the sponsor, will be required to prepare a prospectus which will contain our tax opinion for the REIT structure. Hence, please find below our tax opinion on the above matter :

Transaction Scheme :



Fact :

The Sponsor intends to sell to the four (4) Indonesian SPCs its assets comprising of land and buildings (Siloam Hospitals Lippo Karawaci, Siloam Hospitals West Jakarta, Siloam Hospitals Surabaya and the Imperial Aryaduta Hotel and Country Club). The four Indonesian SPCs will rent the land and buildings to the Sponsor.

Discussion :

A. Rent of Land and/or Buildings by the Four Indonesian SPCs to the sponsor

- ***Sponsor***

Article 4(2) Withholding Income Tax

The payment of rental on land and/or buildings leased by the sponsor to the four Indonesian SPCs will be subject to a final income tax at the rate of ten (10) per cent on the gross value of the land and/or buildings' **rent**.

- ***Indonesian SPC***

Corporate Income Tax

The imposition of final income tax does not mean that the income from the lease of land and/or buildings does not need to be reported in the annual income tax return (*SPT PPh*). The income still needs to be reported in the income tax return, but it does not need to be combined with the other income in the calculation of the taxable income in the relevant tax year.

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

The four Indonesian SPCs must charge Value Added Tax ("VAT") on the rent of land and/or building (taxable service) to the Sponsor at the rate of ten (10) per cent.

B. Payment of Dividends from Indonesian, SPC to Singapore, SPC

- ***Indonesian, SPCs***

Value Added Tax on The Payment of Dividend

There will be no any VAT on the payment dividend.

Article 26 Withholding Income Tax on The Payment of Dividend

The Indonesian tax rules generally require a twenty (20) per cent tax to be withheld on the payment of a dividend from an Indonesian taxpayer to an offshore tax resident. Under the double tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to ten (10) per cent on the payment of a dividend to Singapore tax resident beneficial owner of the dividend. The reduced rate is available to a Singapore company only if the company submits an original copy of its certificate of domicile to the Indonesian payor prior to the payment of the dividend.

On 7 July 2005, the Directorate General of Taxation in Indonesia issued a circular letter indicating that the benefits of Indonesia's double tax treaties would not be available to a recipient of Indonesian-sourced income who was not the beneficial owner of such income. The circular letter further elaborated that a "special purpose vehicle" which is a "conduit company", "paper box company", "pass-through company" or any similar form of entity would not qualify as the beneficial owner of payments received by it. It remains uncertain as to how the Indonesian tax authorities will decide whether or not the Singapore SPCs are the beneficial owners of dividends received from the Indonesian SPCs.

In the event that the Singapore SPCs were viewed by the Indonesian tax authorities as conduit companies or pass-through companies, and therefore not as the beneficial owners of dividends received from the Indonesian SPCs, the investors in the REIT should in that case be viewed as the beneficial owners of the dividends. In that case it should still be possible to take the position that the reduced rate of withholding tax is applicable, to the extent that the investors in the REIT are tax resident in Singapore or any other jurisdiction with the same tax rate under their respective double tax treaty.

There is no need for the Indonesian SPCs to obtain tax clearance or other approvals in order to declare or remit dividends.

C. *Payment of Shareholders' loans*

- ***Indonesian, SPC***

The Repayment Principal of Shareholder's loans

The repayment of principal from the shareholder's loans will not be subject to any form of Indonesian tax as there are no thin capitalisation rules in Indonesia.

Interest on shareholder's loan

The Indonesian tax rules generally require a twenty (20) per cent tax to be withheld on the payment of interest from an Indonesian taxpayer to an offshore tax resident. Under the double tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to ten (10) per cent on the payment of interest to Singapore tax resident beneficial owner of the interest. The reduced rate is available to a Singapore company only if the company submits an original copy of its certificate of domicile to the Indonesian payor prior to the payment of the interest.

As set out above, the Directorate General of Taxation in Indonesia issued a circular letter indicating that the benefits of Indonesia's double tax treaties would not be available to a recipient of Indonesian-sourced income who was not the beneficial owner of such income. The circular letter further elaborated that a "special purpose vehicle" which is a "conduit company", "paper box company", "pass-through company" or any similar form of entity would not qualify as the beneficial owner of payments received by it. It remains uncertain as to how the Indonesian tax authorities will decide whether or not the Singapore SPCs are the beneficial owners of interest received from the Indonesian SPCs.

In the event that the Singapore SPCs were viewed by the Indonesian tax authorities as conduit companies or pass-through companies, and therefore not as the beneficial owners of interest received from the Indonesian SPCs, the investors in the REIT should in that case be viewed as the beneficial owners of the interest.

In that case it should still be possible to take the position that the reduced rate of withholding tax is applicable, to the extent that the investors in the REIT are tax resident in Singapore or any other jurisdiction with the same tax rate under their respective double tax treaty.

There is no need for the Indonesian SPCs to obtain tax clearance or other approvals in order to declare or remit interest payments.

Should you have any questions regarding this matter, please do not hesitate to contact us.

Sincerely yours,

A. Prijohandojo Kristanto
Managing Partner

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT PROPERTY VALUATION SUMMARY REPORTS

Valuations

Knight Frank

PT. Willson Properti Advisindo
Wisma Nugra Santana #17-03
Jl. Jend. Sudirman Kav. 7 – 8
Jakarta 10220, Indonesia
+62 (21) 570 7170
+62 (21) 570 7177 fax
www.knightfrank.com

Report No. 015/WPA-Report/2006

30 August 2006

Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

Dear Sirs,

RE: VALUATION OF:

1. **SILOAM HOSPITALS LIPPO KARAWACI.**
2. **SILOAM HOSPITALS WEST JAKARTA.**
3. **SILOAM HOSPITALS SURABAYA.**
4. **IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB.**

Instructions

This valuation summary report has been prepared for the purposes of inclusion in the prospectus to be issued in relation to the initial public offering of units in the First Real Estate Investment Trust ("**First REIT**"), which will be listed on the Singapore Exchange Securities Trading Limited.

In accordance with your instructions for Knight Frank / PT. Willson Properti Advisindo to conduct formal fixed asset valuation of the above-captioned properties (the "**Properties**") in providing our opinion of Market Value of the Properties as at 30 June 2006; subject to the proposed lease arrangements of the Properties' land and building with the operator of the Properties as stipulated in a proposed Lease Agreement (the "**Valuation**").

We are pleased to confirm that we have completed our site inspection, due diligence, and Valuation of the Properties; and have prepared four formal comprehensive valuation reports for each of the Properties (the "**Reports**"). No structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

Our Valuation expresses our opinion of Market Value, which is defined in the International Valuation Standards (IVS) 2003 and the Indonesian Valuation Standards (Standar Penilaian Indonesia / SPI) 2002 to mean "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".

We have prepared and provided this summary of the Reports outlining key factors that have been considered in arriving at our opinion of Market Value, which reflects all information known by us and based on current market conditions.

Continue to page 2.

Knight Frank Newmark Global

Reliance on This Letter

This valuation summary report does not contain all the necessary data and support information included in our Reports. For further information to that contained herein, reference should be made to the Reports, copies of which are held by the Manager and which we understand will be available for inspection for a period of six months from the date of the Prospectus.

The Valuation and market information contained in the Reports are not guarantees or predictions and must be read in consideration of the followings:

- Each report is several pages in length and the conclusion as to the value assessment is based upon the factual information set forth in that Report. Whilst Knight Frank / PT. Willson Properti Advisindo has endeavored to assure the accuracy of the factual information, it has not independently verified all information provided by the Manager (primarily the Master Lease Agreement and other information relating to the Properties) or the Government of the Republic of Indonesia (primarily statistical information relating to market conditions). Knight Frank / PT. Willson Properti Advisindo believes that every investor, before making an investment in First REIT, should review the Reports to understand the complexity of the methodology and the many variables involved.

- The methodologies used by Knight Frank / PT. Willson Properti Advisindo in valuing the Properties – the Income Method utilizing Discounted Cash Flow Analysis and Income Capitalization – are based upon assessment of future results and are not predictions. These valuation methodologies are summarized in the Valuation Rationale section of this summary report. Each methodology is based on a set of assumptions as to income and expenses of the relevant Property and future economic conditions in the local market. The income and expenses figures are mathematically extended with the adjustments for anticipated changes in economic conditions. The resultant value is considered the best practice assessment but is not to be construed as a prediction or guarantee and is fully dependent upon the accuracy of the assumptions as to income, expenses and market conditions.

- The Reports were undertaken based upon information available as at 30 June 2006. Knight Frank / PT. Willson Properti Advisindo accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

We have also relied on the information provided by the owning companies of the Properties on matters such as the title particulars and tenure, ownership details, land areas, building floor areas, building facilities and services, etc. All information provided to us is treated as correct and we accept no responsibility for subsequent changes in information and reserve the right to change our opinion of value if any other information provided were to materially change.

Continue to page 3.

Summary of the Properties

1. Siloam Hospitals Lippo Karawaci

Brief Description

Siloam Hospitals Lippo Karawaci is an international-standard hospital, which centers of excellence are neuro science center, heart center, liver clinic, male and female clinic, and executive medical check up clinic. The hospital is currently operating with only 160 beds that can be further expanded to 250 beds, and is equipped with good quality modern healthcare facilities such as intensive care units (ICU/ICCU/NICU), out-patient clinics, multiple class in-patient wards, operating theaters, pharmacy, high-tech laboratory, modern radiology, medical rehabilitation, maternity wards, aesthetics clinic, executive medical check-up clinics, and Siloam Stroke Club.

Particulars

Address	:	Jalan Siloam No. 6, Lippo Karawaci Township, in the Sub-District of Bencongan, District of Curug, Regency of Tangerang, Province of Banten, Indonesia.
Land Area	:	17,442 square meters.
Land Title	:	Hak Guna Bangunan (Right-to-Build) certificates No. 3867/Bencongan, No. 4439/Bencongan, No. 6938/Bencongan, No. 9687/Bencongan, No. 9688/Bencongan, No. 10186/Bencongan, and No. 10187/Bencongan.
Land Zoning	:	Commercial use.
Building Type & Class	:	Private General Hospital, Class B I.
No. of Building Block	:	1 block.
Building Level	:	10 levels.
Gross Building Floor Area	:	27,284 square meters.
Year Constructed	:	1995.

2. Siloam Hospitals West Jakarta

Brief Description

Siloam Hospitals West Jakarta (or formerly known as Graha Medika Hospital) is an international-standard hospital, which centers of excellence are in urology, obstetrics and gynaecology, fertility, skin, gastro-enterology, and obesity. The hospital is operating with 205 beds and is equipped with good quality modern healthcare facilities such as accident & emergency unit, out-patient clinics, multiple class in-patient wards, operating theaters, pharmacy, high-tech laboratory, modern radiology, diagnostic, medical rehabilitation, maternity wards, and aesthetics clinic.

Continue to page 4.

Particulars

Address	:	Jalan Raya Perjuangan, in the Sub-District of Kebon Jeruk, District of Kebon Jeruk, Regency of West Jakarta, Province of DKI Jakarta, Indonesia.
Land Area	:	11,420 square meters.
Land Title	:	Hak Guna Bangunan (Right-to-Build) certificate No. 1313/Kebon Jeruk.
Land Zoning	:	Commercial use.
Building Type & Class	:	Private General Hospital, Class B I.
No. of Building Block	:	2 blocks namely Main Building and Extension Building.
Building Level	:	6 levels (Main Building) and 3 levels (Extension Building).
Gross Building Floor Area	:	18,234 square meters.
Year Constructed	:	1991 (Main Building) and 1994 (Extension Building).

3. Siloam Hospitals Surabaya

Brief Description

Siloam Hospitals Surabaya (or formerly known as Budi Mulia Hospital) is a well-known international-standard hospital in Surabaya, which was built in 1977 as a maternity hospital and became a general hospital in 1979. The hospital's center of excellence remains in fertility and currently it is operating with 160 beds equipped with good quality and modern healthcare facilities such as accident & emergency unit, out-patient clinics, multiple class in-patient wards, operating theaters, pharmacy, laboratory, radiology, diagnostic, medical rehabilitation, and maternity wards.

Particulars

Address	:	Jalan Raya Gubeng No. 70, in the Sub-District of Gubeng, District of Gubeng, Regency of Surabaya, Province of East Java, Indonesia.
Land Area	:	6,862 square meters.
Land Title	:	Hak Guna Bangunan (Right-to-Build) certificates No. 343/Gubeng, No. 340/Gubeng, No. 408/Gubeng, No. 494/Gubeng, No. 476/Gubeng, No. 325/Gubeng, No. 243/Gubeng, No. 264/Gubeng, No. 410/Gubeng.
Land Zoning	:	Commercial use.
Building Type & Class	:	Private General Hospital, Class B I.

Continue to page 5.

No. of Building Block	:	3 blocks namely Building A, B, C and 3 supporting buildings namely Office, Kitchen, Linen & Dormitory.
Building Level	:	5 levels (Building A), 4 levels (Building B), 3 levels (Building C), and 1 level (Office, Kitchen and Linen & Dormitory).
Gross Building Floor Area	:	9,042 square meters.
Year Constructed	:	1977 (Building A, Linen & Dormitory), 1986 (Building B, Office, and Kitchen), 2001 (Building C).

4. Imperial Aryaduta Hotel & Country Club

Brief Description

Imperial Aryaduta Hotel & Country Club comprises a 5-star rated hotel with 149 guest rooms and 48 guest units within 6 blocks of cabana house complemented with country club facilities accommodating indoor sporting facilities such as badminton courts, squash courts and table tennis. In addition there are also outdoor sporting facilities such as tennis courts, swimming pool, mini soccer and basket ball.

Particulars

Address	:	Jalan Bulevar Jendral Sudirman Kav.401, Lippo Karawaci Township, in the Sub-District of Bencongan, District of Curug, Regency of Tangerang, Province of Banten, Indonesia.
Land Area	:	54,410 square meters.
Land Title	:	Hak Guna Bangunan (Right-to-Build) certificates No. 00061/Bencongan Indah, No. 00062/Bencongan Indah, No. 00063/Bencongan Indah, No. 9392/Bencongan, No. 9393/Bencongan, No. 9678/Bencongan, No. 9679/Bencongan, No. 9680/Bencongan, No. 9681/Bencongan, No. 9682/Bencongan, No. 9683/Bencongan, No. 10856/Bencongan, No.10857/Bencongan, No. 10859/Bencongan, No. 14411/Bencongan.
Land Zoning	:	Commercial use.
Building Type & Class	:	5-star rated hotel and sports country club facilities.
No. of Building Block	:	1 block of hotel, 6 blocks of cabana house, 1 block of country club building.
Building Level	:	7 levels (hotel), 1 level (cabana houses), and 2 levels (country club building).
Gross Building Floor Area	:	17,427 square meters.
Year Constructed	:	1994.

Continue to page 6.

The following table summarizes the key details for each of the Properties:

Properties	Land Area (m^2)	Gross Building Floor Area (m^2)	No. of Beds	Land Title	Land Zoning
Siloam Hospitals Lippo Karawaci.	17,442	27,284	160[1]	Hak Guna Bangunan[2]	Commercial
Siloam Hospitals West Jakarta.	11,420	18,234	205	Hak Guna Bangunan[2]	Commercial
Siloam Hospitals Surabaya.	6,862	9,042	160	Hak Guna Bangunan[2]	Commercial
Imperial Aryaduta Hotel & Country Club.	54,410	17,427	197	Hak Guna Bangunan[2]	Commercial

Note:

1 can be further expanded to 250 beds if required.

2 Hak Guna Bangunan title gives the right to construct and own buildings on a plot of land. The right is transferable and may be encumbered. Technically, HGB is a leasehold title with the State retains "ownership". But for practical purposes, there is only little difference from a freehold title. HGB title is granted for an initial period of up to 30 years and is extendable for a subsequent period of up to 20 years. Upon the expiration of such extensions, new HGB title may be granted on the same land with the same tenure terms. The commencement date of each title varied.

Summary of the Lease Agreements

The following summarizes the salient aspects of the proposed Lease Agreements that are applicable to our valuation analysis:

Lease Term : Fifteen (15) years commencing from the Lease Commencement Date (the "Lease Term") with an option to renew for another fifteen (15) years after the expiry of the Lease Term.

First Year Rental : Indonesian Rupiah fixed amounts which will be paid in Singapore Dollars currency in accordance with the formula Sin$1 = Rp.5,623.5.

- Siloam Hospitals Lippo Karawaci : Sin$11,696,630.
- Siloam Hospitals West Jakarta : Sin$6,629,146.
- Siloam Hospitals Surabaya : Sin$2,621,499.
- Imperial Aryaduta Hotel & Country Club : Sin$3,215,080.

Continue to page 7.

Rental Increment: The Rental for the subsequent years shall comprise a fixed component (the "Base Rent") and a variable component (the "Variable Rent").

- The Base Rent shall be computed as follows:

  Base Rent = A + B

  where:

  A = the base rent of the preceding 12 months prior to the relevant Rent Revision Date;

  and

  B = the amount equivalent to the lower of:

  (i) two times the Singapore Consumer Price Index percentage variation for the calendar year (the "Preceding Calendar Year") preceding the calendar year in which the Rent Revision Date occurs; or

  (ii) 2%

  multiplied by the base rent payable immediately before the relevant Rent Revision Date.

  Provided always that where the CPI percentage variation for the preceding calendar year in which the Rent Revision Date occurs is a negative value, B will be zero.

- The Variable Rent shall be computed as follows:

  (a) the amount equivalent to 0.75% of the Gross Revenue of the Preceding Calendar Year where the Gross Revenue of the Preceding Calendar Year exceeds the Gross Revenue of the Calendar Year ("Further Preceding Calendar Year") preceding the Preceding Calendar Year by more than 5% but less than 15%;

  (b) the amount equivalent to 1.25% of the Gross Revenue of the Preceding Calendar Year where the Gross Revenue of the Preceding Calendar Year exceeds the Gross Revenue of the Further Preceding Calendar Year by 15% or more but less than 30%; and

  (c) the amount equivalent to 2.00% of the Gross Revenue of the Preceding Calendar Year where the Gross Revenue of the Preceding Calendar Year exceeds the Gross Revenue of the Further Preceding Calendar Year by 30% or more.

  For the avoidance of doubt, where the Gross Revenue of the Preceding Calendar Year does not exceed the Gross Revenue of the Further Preceding Calendar Year by more than 5%, no Variable Rent is payable.

Continue to page 8.

Valuation Rationale

In arriving at our opinion of value, we have considered three methods of valuation namely sales comparison, cost, and income methods.

As there are no sales or rental rate comparables of hospital and hotel in Indonesia (which transact or let only the land, buildings and its supporting mechanical & electrical facilities) to provide a direct comparison, the sales comparison approach has been adopted solely as reference to assess the reasonableness of the committed rentals of the Properties and does not serve as the basis of valuation.

Considering that the subject properties are under proposed leases with specific lease arrangements, we have therefore adopted the income method of valuation utilizing discounted cash flow analysis as the primary approach to arrive at our opinion of value.

No allowance has been made in the Valuation for any charges, mortgages or amounts owing on the Properties or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect value.

Sales Comparison

In the absence of hospital sales in Indonesia, we have adopted international case studies of private hospital and hotel sales in Australia and healthcare and hospitality REITs in the United States of America.

The comparables gathered from the case studies were used only as general guidance but not necessarily as comparables to determine value considering the difference in each country economic conditions and associated investment risk, cost structures, management skills, quality/class of the buildings and facilities, type of hospitals/hotel, building and site areas, number of beds, lease structure, etc, which posed the difficulty to qualify and quantify the adjustment needed to be reflected against the Subject Property.

However, this method has provided us with the following guidance:

- Rental assessment can be derived from analysis of the ratio of rental payment over the EBITDA from the operation of comparable properties/case studies;

- Generally, the ratio of rental over EBITDA is between 50% to 60% in Australia, and is between 48% and 53% in the United States of America;

- The ratio of rental over EBITDA becomes lower over time from the listing date of a REIT; and

- Generally, our analysis of sale price indicates that initial yield is between 7% to 10.5%.

In the absence of rental evidences for specialized property type in Indonesia such as the Properties, the Valuer has attempted to analyze the Properties' committed rental rate level against the rental rates of other more common commercial property types. This analysis serves only as a broad reference rather than absolute measure for the Valuation.

Continue to page 9.

Based on the proposed Lease Agreements, the committed fixed rental rates of the Properties in the initial year on per square meter per month bases, over the gross building floor area, are Rp. 200,899 (Siloam Hospitals Lippo Karawaci), Rp. 170,373 (Siloam Hospitals West Jakarta), Rp. 135,866 (Siloam Hospitals Surabaya), and Rp. 86,456 (Imperial Aryaduta Hotel & Country Club).

In general, the market base rental rate on per square meter per month bases, over the gross building floor area, of Jakarta CBD shopping centers is between Rp. 185,000 and Rp. 270,000, whilst those that are located outside CBD and/or other suburbs of Jakarta is between Rp. 80,000 and Rp. 165,000. In Surabaya the rate ranges between Rp. 150,000 and Rp. 245,000.

In general, the market base rental rate on per square meter per month bases, over the gross building floor area, of Jakarta CBD office building is between Rp. 70,000 and Rp. 120,000, whilst those that are located outside CBD and/or other suburbs of Jakarta is between Rp. 45,000 and Rp. 60,000. In Surabaya the rate ranges between Rp. 35,000 and Rp. 70,000.

The above indicated rental ranges take into account different building grade/class (i.e. premium grade, grade A, B, or C) and the wide spread geographical locations of the other more common commercial properties.

Whilst it is difficult to determine the grade of the Properties and to match them with the grade of the other more common commercial properties, but the fact that the committed rentals of the Properties fall within the range of other more common commercial properties provides the reasonableness of the committed rentals.

Cost Method

The cost approach may provide a reliable estimate of value for newly constructed properties or provide indication of what the 'cost of entry' into the market; however, as buildings and other forms of premises increase in age and begin to deteriorate, the resultant loss in value becomes increasingly difficult to quantify accurately.

Knowledgeable buyers of private hospitals and hotels generally based their purchase decisions upon economic factors, such as forecast net income and return on investment. As the cost approach does not reflect any of these financial related considerations, we did not adopt this approach to arrive at our opinion of values for the Properties.

Discounted Cash Flow Analysis

Our valuation analysis is based on the proposed lease arrangements of the Properties' land, building and its supporting mechanical & electrical facilities with the operator of the Properties, and hence our valuation assumptions have adopted the terms and conditions as stipulated in proposed Lease Agreements including the agreed first-year fixed rental amount in Singapore Dollars currency, subsequent years' base rent increment and the variable rent component, lease terms & conditions, renewal options, etc. We have also considered the prevailing market conditions, especially those pertaining to the health care services and tourism industries of the respective property market.

Continue to page 10.

We have carried out a discounted cash flow analysis over a five-year investment horizon of the annual rental net income in which we have assumed that the Properties are sold at the commencement of the sixth year of the cash flow. The analysis has been presented in Singapore Dollars Currency. The conversion of projected annual income streams into an estimate of the total present value is by application of a 12% annual discount rate.

Based on our assessment of the current market requirements for an investment return over a five-year period from properties located in Singapore, the market expectations are currently in the order of 8% to 8.5%. Considering that the Properties are located in Indonesia but generating Singapore Dollar rental income, we have adopted 12% discount rate in our DCF analysis, which incorporates 3.5% to 4% premium to reflect the inherent investment risks associated with the perceived country risk of Indonesia and the local property market conditions.

Our selected terminal capitalization rates, used to assess the terminal capital value of the Properties, take into consideration perceived market conditions in the future, estimated cash flow profile, and the overall physical condition of the Properties in 5 years' time.

We have also taken into account annual capital expenditure which is to be deducted from the projected annual rental income streams. Provision for capital expenditure is essential in order to maintain the Properties at a reasonable condition and to keep up with its current competition level in the market.

In addition, we have analyzed the ratio of the Properties' projected rental payments from the committed base rental with its yearly growth and variable rent over the operator's projected EBITDA. The analysis concludes the following:

- Cumulative average yearly ratio over the first 5 years of the Properties appears to be in line with that of the international case studies and follows the trend of decreasing ratio over time;

- Considering the above and coupled with the fact that the Properties are under a fixed 15-year lease term with renewal option for a subsequent 15-year term. We have therefore considers that the committed rental payment for the Properties under the signed master lease agreement is sustainable.

Continue to page 11.

Conclusion and Summary of Values

We are of the opinion that the total aggregate Market Value of the Properties as at 30 June 2006; based on the proposed lease arrangements of the Properties' land, building, and its supporting mechanical & electrical facilities with the operator of the Properties as stipulated in the proposed Lease Agreements; subject to the transfer of ownership of the Properties, the execution of the proposed Lease Agreements, the factual data, our assumptions, comments, qualifications, and limiting conditions as detailed in our full Reports, is:

Sin$257,000,000.

(Singapore Dollars Two Hundred and Fifty Seven Million Only)

The following table summarizes the salient valuation assumptions and Market Value for each of the Properties:

Properties	Market Value as at 30 June 2006	Discount Rate	Initial Yield	Terminal Capitalization Rate
Siloam Hospitals Lippo Karawaci.	Sin$132,500,000.	12%	8.7%	10.5%
Siloam Hospitals West Jakarta.	Sin$71,170,000.	12%	8.7%	11.0%
Siloam Hospitals Surabaya.	Sin$23,560,000.	12%	11.1%	13.5%
Imperial Aryaduta Hotel & Country Club.	Sin$29,770,000.	12%	10.8%	11.5%
Total Aggregate	Sin$257,000,000.		9.40%	

Continue to page 12.

Disclaimer

We have prepared this Valuation Summary Letter for inclusion in the Prospectus and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Prospectus, other than in respect of the information provided within the aforementioned Reports and this Valuation Summary Letter. We do not make any warranty or representation as to the accuracy of the information in any other part of the Prospectus other than as expressly made or given by Knight Frank / PT. Willson Properti Advisindo in this letter.

Knight Frank / PT. Willson Properti Advisindo has relied upon data supplied by the Manager and/or the owning companies of the Properties, which we assume to be true and accurate. Knight Frank / PT. Willson Properti Advisindo takes no responsibility for inaccurate client supplied data and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and have no personal interest or bias with respect to the party/parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We hereby certify that the valuers undertaking these valuations are authorized to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully,

Knight Frank / PT. Willson Properti Advisindo

Willson Kalip, B.Sc. (Est. Mgt.) (Hons), MAPPI (Cert.)
President Director

Member of Indonesian Society of Appraiser (MAPPI) No: 94-S-00387
Valuation License No.: 1.99.0041 (Ministry of Finance of the Republic of Indonesia)
Valuation License No.: AD 041-2004997D (Inland Revenue Authority of Singapore)

Procon
Integrated
Property Solutions
25 YEARS OF SERVICE

HVS INTERNATIONAL

14 September 2006

HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED
(as Trustee of First Real Estate Investment Trust)
21 Collyer Quay
#14-01 HSBC BUILDING
SINGAPORE 049320

Attention: Head of Client Services

Dear Sirs,

VALUATION CERTIFICATES

We refer to the instruction from P.T. Lippo Karawaci Tbk to report to you the Market Value of the following properties subject to the proposed lease for inclusion into First REIT:

- Siloam Hospitals Lippo Karawaci located at Jalan Siloam No. 6, Lippo Karawaci 1600, Tangerang, Banten;
- Siloam Hospitals, West Jakarta located at Jalan Raya Perjuangan Kav. 8, Kelurahan Kebon Jeruk, Kecamatan Kebon Jeruk, West Jakarta;
- Siloam Hospitals, Surabaya located at Jalan Raya Gubeng No. 70, Kelurahan Gubeng, Kecamatan Gubeng, Surabaya, East Java; and
- Imperial Aryaduta Hotel & Country Club located at Jalan Bulevar Jenderal Sudirman 401, Lippo Karawaci 1300, Banten.

1.0 Client Brief and Purpose of Valuation

The valuations have been prepared for the purpose of inclusion in the prospectus to be issued in relation to the offering of units in First REIT.

We have been instructed to assess the Market Values of the properties as at 30 June 2006 based on their respective existing uses and subject to the proposed lease to P.T. Lippo Karawaci Tbk as set out in the Term Sheet and the main valuation reports. We confirm that we have inspected the subject properties and conducted relevant enquiries and investigations as we consider necessary for the purpose of providing you with our opinion of the Market Values of the properties.

HVS International and PT. Artanila Permai have assessed the property interests as independent international appraisers and also prepared a full valuation report for each property. We hereby certify that we have no undisclosed interest in the properties and our employment and compensation are not contingent upon our findings and valuations.

2.0 Basis of Valuation

The valuation is prepared in accordance with the International Valuation Standards Committee ('IVSC') definition of Market Value, which is:

"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 has each acted knowledgeably, prudently and without compulsion."

Additionally, our assessment will be on the basis of the existing use of the Property only with appropriate approvals and licenses in place.

3.0 Information Utilised

Information utilized for our assessment has been provided by the Property Management (P.T. Lippo Karawaci Tbk) and other sources. Whilst due care has been undertaken in the application of that information, we cannot verify its accuracy. Should it be revealed that any of this information is inaccurate or misleading so that its use would affect the valuation, we reserve the right to amend our opinion.

4.0 Use of Valuation Reports

Neither the whole nor any part of the valuation reports nor any reference thereto maybe included in any document, circular or statement without our written approval and of the form or context in which it appears. These valuations have been prepared for the purpose stated above and for use only of the Client and no responsibility is given to any third party for the whole or part of its contents.

5.0 Assumptions and Limiting Conditions

A list of major assumptions made in the valuation of the properties and the limiting conditions under which the opinion is given is detailed in the respective valuation reports as well as in the Addendum to this valuation certificates. It is a condition of the use of the valuations that the recipient of the reports accepts these statements.

The Valuation Certificates included herein should be read in conjunction with the respective full valuation reports which detailed the basis under which the valuations has been prepared.

Yours faithfully,

PT. ARTANILA PERMAI
Member of GAPPI No.068

Hasman Rusli, MAPPI (Cert.)
Senior Associate Director
License No.1.99.0040
Member of MAPPI No.93-S-0311

HVS International Singapore

David Ling
Managing Director, Asia
MSc, BBus (Dist), MSISV, AAPI

Procon Integrated Property Solutions 25 YEARS OF SERVICE

HVS INTERNATIONAL

VALUATION CERTIFICATE

Property	:	Siloam Hospitals Lippo Karawaci Jalan Siloam No.6, Lippo Karawaci, Tangerang, Banten, Indonesia
Interest Valued	:	The Property, including the land, building and other improvements, subject to the proposed lease to P.T. Sentra Dinamika Perkasa as set out in the main report.
Tenure	:	Held under 7 "Hak Guna Bangunan" land certificates, registered under the name of PT. Lippo Karawaci Tbk.
Location	:	The subject property is located at Jalan Siloam No.6, Sub-district of Bencongan, District of Curug, Regency of Tangerang, Banten, Indonesia. It is situated about 1.7 kilometres west of Lippo Karawaci exit tollgate of the Jakarta - Merak tollroad and some 20 kilometres west of the Tomang Interchange in Jakarta. Lippo Karawaci is a 3,000-hectare township development launched in early 1990's. It is located about 20 kilometres west of the Tomang Interchange in West Jakarta.
Property Description	:	Siloam Hospitals Lippo Karawaci was first opened in November 1996. The subject hospital has a capacity of 250 beds in total but only 160 beds are in operation.
Site Area	:	The subject site is irregular in shape with a combined land area of about 17,442 square metres.
Gross Floor Area	:	27,284 sq.m
Market Value, Existing Use Basis	:	**Rp. 649,000,000,000** (Six Hundred and Forty Nine Billion Indonesian Rupiah) or S$115,000,000 (One Hundred and Fifteen Million Singapore Dollars), based on exchange rate adopted at S$1 = Rp. 5,623.5
Date of Valuation	:	30 June 2006
Notice	:	This Valuation Certificate should be read in conjunction with the full valuation report which details the conditions and assumptions under which this valuation is prepared.

VALUATION CERTIFICATE

Property	:	Siloam Hospitals West Jakarta Jalan Raya Perjuangan kav.8, Kebon Jeruk, West Jakarta, Indonesia
Interest Valued	:	The Property, including the land, building and other improvements, subject to the proposed lease to P.T. Graha Indah Pratama as set out in the main report.
Tenure	:	Held under "Hak Guna Bangunan" land certificate No.1313/Kebon Jeruk, registered under the name of PT. Lippo Karawaci Tbk. The subject land certificate will expire on 10 August 2017.
Location	:	The subject property is located at Jalan Raya Perjuangan Kav.8, Sub-district of Kebon Jeruk, district of Kebon Jeruk, West Jakarta, Indonesia. It is located about 500 metres west of the Kebon Jeruk toll exit of the Jakarta - Merak tollroad.
Property Description	:	Siloam Hospitals, West Jakarta was first established in 1991 as a private hospital, with the name of Graha Medika Hospital. Since then, it has undergone expansion, both in scope of services and physical form. In 2004, the hospital's name was changed to Siloam Hospitals, West Jakarta. The subject hospital has capacity of 205 beds.
Site Area	:	The subject site is almost rectangular in shape with a land area of about 11,420 square metres. The site is bounded by Jalan Raya Perjuangan to the north, by shophouse complex to the west, by Graha Kencana shophouse complex to the east, and by residential houses and vacant land plots to the south. Attached to the southern portion of the subject hospital is a plot of land utilised as an additional car parking area to support the hospital operations. We note that this plot of land currently used as the southern parking area is not included as part of the subject property. We have been advised by PT. Lippo Karawaci Tbk., the matter relating to this additional carparking requirement will be resolved. The access to the said parking area is provided via two adjoined units of five-storey shophouse which are currently utilised as nurse dormitory. These shophouse units are attached to the southeastern corner of the subject property. The ground floor of one of the shophouse units has been modified to allow access or driveway from the main entrance to the parking area.
Gross Floor Area	:	18,234 sq.m
Market Value, Existing Use Basis	:	**Rp. 355,000,000,000** (Three Hundred and Fifty Five Billion Indonesian Rupiah) or S$63,000,000 (Sixty Three Million Singapore Dollars), based on exchange rate adopted at S$1 = Rp. 5,623.5
Date of Valuation	:	30 June 2006
Notice	:	This Valuation Certificate should be read in conjunction with the full valuation report which details the conditions and assumptions under which this valuation is prepared.

Procon Integrated Property Solutions 25 YEARS OF SERVICE

HVS INTERNATIONAL

VALUATION CERTIFICATE

Property	:	Siloam Hospitals Surabaya Jalan Raya Gubeng No.70, Gubeng, Surabaya, East Java, Indonesia
Interest Valued	:	The Property, including the land, building and other improvements, subject to the proposed lease to P.T. Tata Prima Indah as set out in the main report.
Tenure	:	Held under 9 "Hak Guna Bangunan" land certificates, registered under the name of PT. Lippo Karawaci Tbk.
Location	:	The subject property is located at Jalan Raya Gubeng No.70 in the sub-district of Gubeng, district of Gubeng, municipality of Surabaya, East Java, Indonesia. It is located about 400 metres east of Jalan Panglima Sudirman and about one kilometre southwest of Gubeng train station. The Surabaya townhall is located about 1.4 kilometres north of the subject property.
Property Description	:	Siloam Hospitals, Surabaya was previously named Budi Mulia Hospital and first established in about 1977 as a maternity clinic. Since then it has undergone an expansion, both in scope of services and physical form, and developed into a general hospital in 1979. In 2004, the hospital name was changed to Siloam Hospitals, Surabaya. The subject hospital has capacity of 160 beds.
Site Area	:	The subject site is U-shaped with a land area of about 6,862 square metres.
Gross Floor Area	:	9,042 sq.m
Market Value, Existing Use Basis	:	**Rp. 143,000,000,000** (One Hundred and Forty Three Billion Indonesian Rupiah) or S$25,000,000 (Twenty Five Million Singapore Dollars), based on exchange rate adopted at S$1 = Rp. 5,623.5
Date of Valuation	:	30 June 2006
Notice	:	This Valuation Certificate should be read in conjunction with the full valuation report which details the conditions and assumptions under which this valuation is prepared.

Procon Integrated Property Solutions 25 YEARS OF SERVICE

HVS INTERNATIONAL

VALUATION CERTIFICATE

Property	:	Imperial Aryaduta Hotel & Country Club 401 Bulevar Jendral Sudirman, Lippo Karawaci, Tangerang, Banten, Indonesia
Interest Valued	:	The Property, including the land, building and other improvements, subject to the proposed lease to P.T. Karya Sentra Sejahtera as set out in the main report.
Tenure	:	Held under 15 "Hak Guna Bangunan" land certificates, registered partly under the name of PT. Lippo Karawaci Tbk and partly under PT. Prudential Hotel Development.
Location	:	The subject hotel and country club is located at Jalan Bulevar Jendral Sudirman #401 within Lippo Karawaci, in the village of Bencongan, district of Curug, regency of Tangerang, Banten, Indonesia. It is situated about one kilometre to the southwest of Karawaci tollgate of the Jakarta - Merak Toll road. Lippo Karawaci is a 3000-hectare township development launched in early 1990's. It is located about 20 kilometres west of the Tomang Interchange in West Jakarta.
Property Description	:	The subject property under this valuation exercise is Imperial Aryaduta Hotel & Country Club. It is a 190-room, 5-star hotel supplemented with a country club which houses various facilities including F & B outlets, MICE facilities and indoor - outdoor sporting facilities. At the moment, the country club has a total of about 800 active members. The hotel was opened in 1994 and operated under the name of Imperial Century Hotel and Country Club. Since 2003, the subject property has been operated independently by the owner. The subject property has a capacity of 197 available rooms comprising 149 hotel rooms and 48 cabanas. However, seven units of the cabanas are occupied by the hotel management, leaving a total of 190 saleable rooms.
Site Area	:	The subject site under valuation is L-shaped with a total land area of about 54,410 square metres. It has a road frontage of about 110 metres and an average depth of 180 metres. The average width of the site is about 300 metres. The terrain is relatively flat and at the same level with the fronting road at its main entrance. However, it rises slightly towards its southwest. We note that a piece of land plot of about 6,500 square metres attached to the northwestern side of the subject property is not included in the subject property under valuation. It is currently utilized as part of the carparking space, internal car circulation and the exit gate of the property. We have been advised by PT Lippo Karawaci Tbk, the matter relating to the Property's ingress and egress will be resolved (i.e. another existing gate (egress) would be re-opened to replace the existing one that currently passes through the land that does not belong to the Subject Property) prior to the inclusion of the Property into First REIT.
Gross Floor Area	:	17,427 sq.m

Market Value, Existing Use Basis	:	**Rp.172,000,000,000** (One Hundred and Seventy Two Billion Indonesian Rupiah) or S$31,000,000 (Thirty One Million Singapore Dollars), based on exchange rate adopted at S$1 = Rp. 5,623.5
Date of Valuation	:	30 June 2006
Notice	:	This Valuation Certificate should be read in conjunction with the full valuation report which details the conditions and assumptions under which this valuation is prepared.

Addendum—Statement of Assumptions and Limiting Conditions

1. An opinion of value will always involve a degree of subjectivity and uncertainty that will affect the probability that the opinion of market value would be the same as the price achieved by an actual sale at the valuation date. The assessment of value is dependent upon the accuracy of the information available to us pertaining to the Properties and the market, together the underlying conditions and assumptions made. If these conditions and assumptions are not fulfilled, all future projections and the value reflected herein should be reappraised in light of actual events.

2. All information (facilities overview, estimates, and opinions) obtained from parties not employed by HVS International or PT. Artanila Permai are assumed to be true and correct. HVS International and PT. Artanila Permai can assume no liability resulting from misinformation.

3. No responsibility is assumed for matters of a legal nature, nor do we renders any opinion as to land title or leases, which is assumed to be marketable and free of any deed restrictions and easements.

4. Unless noted, it is assumed that there are no encroachments or planning and building violations encumbering the existing structure and / or proposed property.

5. It is assumed that the Properties will be in full compliance with all applicable city, local and private codes, laws, consents, licences and regulations (including an alcohol licence where appropriate), and that all licences, permits, certificates, franchises and so forth can be freely renewed and/or transferred to a purchaser.

6. All mortgages, liens, encumbrances, leases, servitudes, arrears and penalties have been disregarded unless specified otherwise.

7. No portion of this report may be reproduced in any form without the permission of HVS International and PT. Artanila Permai, nor shall the report be distributed to the public through advertising, public relations, news, sales, or other media without the prior written consent of HVS International or PT. Artanila Permai.

8. HVS International and PT. Artanila Permai is not required to give testimony or attendance in court by reason of this economic and valuation study without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.

9. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report, it is recommended that the reader contact HVS International or PT. Artanila Permai.

10. The quality of the Properties' on-site management has a direct effect on their economic viability and market value. The financial forecasts presented in this report assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results.

11. Many of the figures presented in this document were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of simplicity, most numbers presented in this report have been rounded to the nearest tenth. Thus, these figures may be subject to small rounding errors in some cases.

12. Valuing real estate is both a science and an art. Although this valuation employs various mathematical calculations, the final estimate is subjective and may be influenced by the author's experience and other factors not specifically set forth in this report.

13. The relationship between the currency adopted in this report and other major world currencies remains constant as at the date of our fieldwork.

14. Whilst the information contained herein is believed to be correct, it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.

15. Throughout this report, 'HVS International' refers to the trading name of SG&R Singapore Pte Ltd, a wholly owned subsidiary of S&R Valuation Services Company.

16. Valuation reports for each individual Property are accompanied with their corresponding list of assumptions and limiting conditions which states assumptions peculiar and pertinent to individual Properties. Interested parties are advised to read the individual reports prior to making any legal, financial or other commitments.

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT REPORT OF THE HEALTHCARE INDUSTRY IN INDONESIA

FROST & SULLIVAN

100 Beach Road
#29-01/11, Shaw Tower
Singapore 189702
Tel 65. 6890 0999
Fax 65. 6890 0988
www.frost.com

4 December 2006

Prepared for
The Board of Directors
Bowsprit Capital Corporation Limited
as Manager of First Real Estate Investment Trust
78 Shenton Way
#22-01 Lippo Centre
Singapore 079120

HSBC Institutional Trust Services (Singapore) Limited
as Trustee of First Real Estate Investment Trust
21 Collyer Quay
#14-01 HSBC Building
Singapore 049320

In Respect of FIRST REAL ESTATE INVESTMENT TRUST

FOR AND ON BEHALF OF FROST & SULLIVAN PTE LTD

Nitin Naik, Director – Healthcare Practice

INDEPENDENT REPORT ON THE HEALTHCARE INDUSTRY IN INDONESIA

October, 2006

Table of Content

1

Executive Summary

1.1 Major Healthcare Indicators in the Region

Figure 1.1: Major Healthcare Indicators in Indonesia and Other Countries in the Region, 2005

Healthcare Indicators (2005)	Indonesia	Malaysia	Philippines	Singapore	Thailand
Population (mn)	241.97	23.95	87.86	4.35	65.44
Population Growth Rate %	1.50	1.83	1.84	2.59	0.87
Birth Rate (per 1000)	20.71	23.07	25.31	10.00	15.7
Mortality Rate (per 1000)	6.25	5.06	5.47	4.30	7.02
Life Expectancy (Female)	72.10	75.11	72.92	81.60	74.37
Life Expectancy (Male)	67.10	69.56	67.03	77.90	69.65
Health Expenditure as % of GDP	3.60	3.50	3.20	1.50	6.00
Per Capita Health Expenditure (USD)	31.00	166.83	32.17	416.10	141.27
Hospitals	1,264	362	1,790	29	2,346
Specialist Practitioners	15,385	4,817	21,219	2,371	11,664
Nurses	115,905	42,760	371,930	20,414	74,175

Source: Ministry of Health, Frost & Sullivan

The healthcare industry in Indonesia has been given priority since 2001. The government has drawn up a plan to improve health outcomes by restructuring and reforming the current healthcare delivery system to a more decentralized one. The key objective of the government's plan is to improve equity in health outcomes and health access, formulate sustainable health financing mechanisms, and manage decentralization of operations and resources.

As shown in Figure 1.1 above, per capita healthcare expenditure in Indonesia is lower than all of the countries in the region compared here. Till 2001, less than 25% of the healthcare expenditure came from the public sector. Thus, it became imperative that priority for these limited public funds was towards the provision of public goods such as immunization and management of infectious diseases, promotion and assurance of quality services, provision of health education and oversight and responsibility of the whole healthcare sector. The delivery of healthcare services could be delegated to the local governments or the private sector. The private sector providers are often found to be more efficient and could be given contracts for healthcare delivery.

The health system in Indonesia relies heavily on the private sector as it accounts for more than 65% of the healthcare expenditure. It is evident from the number of private hospitals catering to certain specialties that more people seek care in the private sector for critical services such as child delivery, child diarrohea, and acute respiratory infection. This proportion is rising, even among the poor. Given this reliance of healthcare delivery on the private sector it is critical for the Indonesian Department of Health to promote the private healthcare sector as well as apply regulation and licensing to ensure the safety, quality and accountability of the services provided.

1.2 Major Hospital Groups in the Region

There are several large hospital groups in Indonesia, Malaysia, Philippines, Singapore and Thailand. The largest by revenue is the Ramsay Health Care Group which has 72 hospitals of which only 3 are in Indonesia.

The biggest indigenous group of the region in terms of revenues has become the Singapore-based Parkway Holdings Group which recently acquired the largest stake in the Malaysian Pantai Group. Consolidation by way of mergers and acquisitions are seen in Indonesia as well where the Ramsay Healthcare Group acquired the Affinity Health Group which had hospitals in Australia and Indonesia.

Hospital groups in Thailand are cashing in on the Asian healthcare tourism wave. This phenomenon has all hospital groups in the region gearing up to cater to the growing demand from foreign patients and in the process upgrading their quality and services to international levels. By virtue of quality, Singapore used to be the most preferred destination for medical tourists in the region but with Malaysia offering better prices, there has been a larger inflow of foreign patients to the peninsular country.

Figure 1.2 below lists out the hospital groups that we have considered for this study.

Figure 1.2: Major Private Hospital Groups in Indonesia and Other Countries of the Region, 2004

Country	Hospital Group	Hospital(s)	Beds	Bed Occupancy Rate	Revenue (USD mn)
Indonesia	Siloam	4	735	62%	47.3
	Ramsay	3	617	64%	418.3[a]
	RS Husada	1	482	60%	—
Malaysia	KPJ	13	1,537	60%	159.9
	Pantai	7	1,158	72%	164.9
Philippines	Makati	1	600	78%	—
	MMC	1	300	78%	—
	Asian Hospital	1	258	80%	—
Singapore	Raffles	1	380	65%	62.6
	Parkway	3	1,008	64%	159.5
Thailand	BI	1	554	65%	148.4
	Bangkok Hospital	16	—	—	137.0
	Krungdhon Hospital	2	310	64%	—

[a] The Ramsay Health Care Group has 72 hospitals of which 3 in are Indonesia and 69 in Australia.
Source: Company Annual Reports, Frost & Sullivan

Due to the lack of adequate medical facilities in the country, a large number of Indonesians seek medical care abroad. Indonesian patients spent USD 108 million for medical expenses in 2003 in Singapore alone (Singapore Tourism Board, 2003). Hospitals in Indonesia are working towards improving their capacity and the quality of services offered so as to be able to reverse this patient outflow phenomenon.

With over 8.3 million diabetics (2005) and growing incidences and mortalities of cancer and cardiovascular diseases, hospitals in Indonesia are focusing on the growing burden of chronic diseases by setting up centres of excellence for cardiology, diabetes, and cancer.

In keeping with the Indonesian government's vision of providing equitable health to all, private hospitals and groups such as RS Husada are looking at increasing their capacity and expanding their network. They are also contemplating home care services to increase access to the patient.

These are positive signs for the healthcare industry in Indonesia and the healthcare expenditure is expected to reach USD 9.1 billion by the year 2008.

2

Healthcare Industry Overview

2.1 Major Healthcare Indicators

Indonesia ranks 4th in population size after India, China, and the United States, with 6,000 inhabited islands rich in culture and diversity spanning 5,120 kilometers from east to west and 1,760 kilometers from north to south.

In the past decade, 2 major events – the economic crisis in 1997-98 and the decentralization mandated by the Presidential decree which took effect in 2001 – have had grave implications for the health sector.

According to the United Nations Development Program's Indonesia Human Development Report in 2004, in the past few years, Indonesia has made significant progress in overcoming the social and economic set back caused by the Asian crisis in 1997-98, through reduction in extreme poverty, access to basic services, and creation of a more equitable society. These gains have been attributed to external support and internal development of Indonesia's democracy, which increased public participation in the political process to result in better service delivery by the public sector.

However, health remained a low priority in the macro-economic reconstruction of the country. According to the WHO, Indonesia allocates a smaller share of its GDP to health than Singapore and Thailand, and lags behind other neighboring countries Malaysia, Thailand and Philippines as well in terms of per capita healthcare expenditures.

Figure 2.1 lists the key indicators of Indonesia's health status in 2005.

Figure 2.1: Major Healthcare Indicators in Indonesia, 2003-2005

Healthcare Indicators	2003	2004	2005
Population (mn)	234	238	242
Population Growth Rate (%)	1.5	1.5	1.5
Birth Rate (per 1,000)	21.49	21.11	20.71
Mortality Rate (per 1,000)	6.26	6.26	6.25
Life Expectancy (Female)	71.5	71.8	72.1
Life Expectancy (Male)	66.5	66.8	67.1

Source: WHO, Frost & Sullivan

Figure 2.2: Top 5 Diseases by Incidence and Top 5 Causes of Death in Indonesia, 2005

Top 5 Diseases by Incidence ('000)	2005
Malaria	1,500
Tuberculosis	115
Typhoid	91.5
Circulatory Diseases	78
Respiratory Diseases	68
Top 5 Causes of Death ('000)	**2005**
Typhoid and Paratyphoid	4,500
Pneumonia	1,200
Tuberculosis	175
Cardiovascular Diseases	43
Cancer	24

Source: WHO, Frost & Sullivan

Figure 2.2 shows the top 5 diseases by incidence and the top 5 causes of death in Indonesia.

Communicable diseases continue to be a major cause of morbidity and mortality in Indonesia. However, as the life expectancy of Indonesians improves, the concern has shifted from communicable diseases to degenerative diseases. This epidemiological transition has presented the healthcare delivery system with a double burden. Chronic conditions include cancer, circulatory diseases, metabolic disorders, congenital disorders, tobacco dependence, mental health and neurological disorders. Since these diseases are expensive and difficult to cure, it is appropriate that focus be put on prevention of non-communicable diseases, especially promoting healthy lifestyles with emphasis on reducing tobacco dependence.

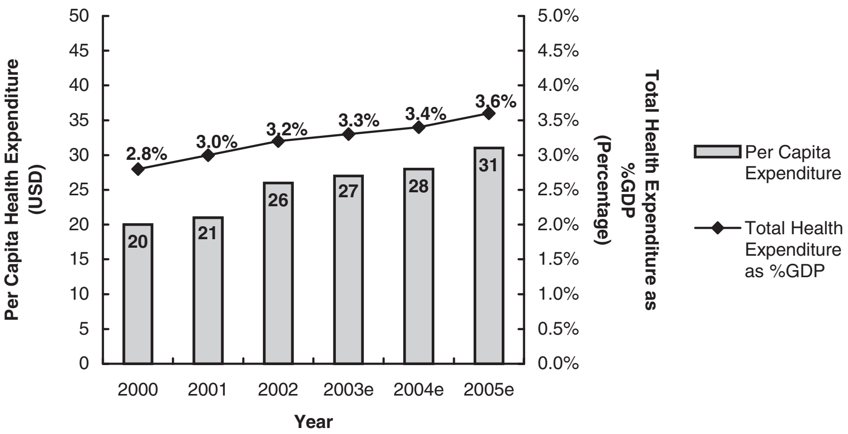
Over the last 2 decades, although Indonesia has placed high priority on health promotion and prevention, the translation of these priorities into polices and implementation has been fragmented and ineffective.

2.2 Health Expenditure

Despite the compelling need for greater attention to these health issues, commitment has been low, both in the public and private sectors. This has resulted in the present inequitable healthcare system in Indonesia.

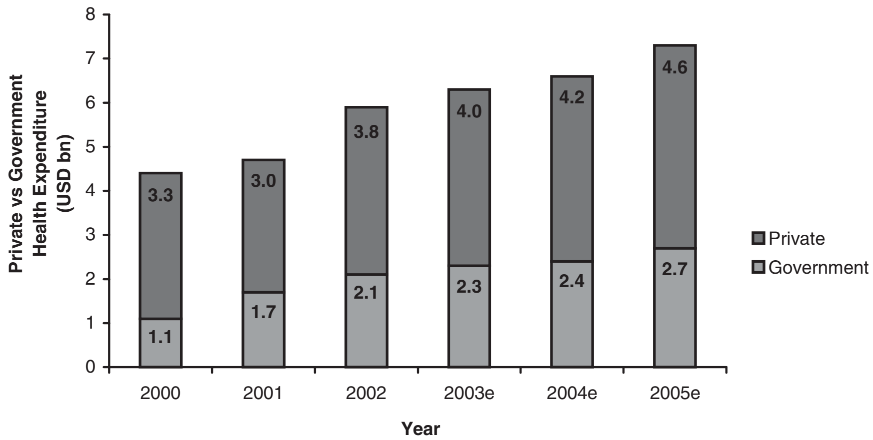
Figure 2.3 shows the trend in total health expenditure as percentage of GDP and total per capita expenditure on health in Indonesia. Figure 2.4 illustrates the change in contribution of the private and government sectors in total health expenditure from the years 2000 to 2005.

Figure 2.3: Per Capita Expenditure on Health in Indonesia, 2000-2005



Source: WHO, Frost & Sullivan

Figure 2.4: Health Expenditure by Private and Government Sectors in Indonesia, 2000-2005



Source: WHO, Frost & Sullivan

2.2.1 Government Health Expenditure

Traditionally, healthcare financing for the public sector in Indonesia comes from the Ministry of Health, the provincial healthcare budget, the district health budget, military health services, other sector spending on health, social health insurance corporations, and foreign aid and loans. Figure 2.5 below, shows the healthcare expenditure made by the government for the years 2003-2005.

Figure 2.5: Government Healthcare Expenditure, 2003-2005

Healthcare Expenditure	2003	2004	2005
Government (USD bn)	2.3	2.4	2.7

Source: Frost & Sullivan

Until the year 2001, the government of Indonesia was responsible for less than 25% of the country's expenditure on health. This was less than half the average for the countries of East Asia and Pacific region and had been a significant cause of the inadequate medical infrastructure and accessibility of quality healthcare. However, decentralization of healthcare triggered a shift in this pattern.

Decentralization set forth a transition from a highly centralized health system to one of the most decentralized health systems in the world. It included 2 major components: a shift of authority to the local level and a partial reallocation of the government spending from the central level to the 300 districts. As a result, the proportion of district health allocation became the largest healthcare financing source, and instigated the total government expenditure on health to grow faster than the private expenditure. Several public health centres opened across the country to improve accessibility to good quality healthcare for poor households, especially in the rural areas. However, due to lack of adequate funding, these centres have not yet transitioned into fully established and self-reliant centres with requisite capabilities. Even large public hospitals lack basic amenities and advanced medical technologies. Moreover, low remuneration to doctors at public centres has dissuaded them from being attached with a single hospital or provider, and led them to simultaneously affiliate themselves with private health centres. Insufficient government funding has also deterred improvement in poor availability of drinking water and low levels of sanitation, which are the main causes of infectious diseases that the Indonesia is still grappling with.

2.2.2 Private Health Expenditure

Private sector healthcare financing in Indonesia comprises of out-of-pocket payments by individuals and households, employers, and private insurance companies. Until 2000, private healthcare expenditure accounted for around 75% of the total expenditure on health. Although this has grown consistently in the past 5 years, due to decentralization of the health system, growth in government expenditure has overtaken that in private expenditure on health, resulting in trends as illustrated in Figure 2.3. The table below, figure 2.6, shows the expenditure on healthcare made by the private sector for the period 2003-2005.

Figure 2.6: Private Healthcare Expenditure, 2003-2005

Healthcare Expenditure	2003	2004	2005
Private (USD bn)	4.0	4.2	4.6

Source: Frost & Sullivan

Based on a report by the WHO, it is estimated that over 75% of the private expenditure on health is sourced from households' out-of-pocket payments, wherein individuals are required to pay for the acquired health services immediately after the services are availed.

As part of the Health Indonesia 2010 plan, the government of Indonesia aims to boost privatization as a means to achieve decentralization and professionalism in healthcare. However, despite government support, privatization of public sector hospitals remains a highly debated issue in Indonesia as the benefits of privatization tend to be skewed towards the rich and can significantly worsen the already wide health divide between the rich and poor households. For example, the infant mortality rate in Indonesia is 3 times higher among the poor as compared to that among the rich. In 2003, 17.4% of the Indonesian population was living below the national poverty line.

2.2.3 Per Capita Healthcare Expenditure

The per capita healthcare expenditure in Indonesia has been increasing steadily since the 1997-98 crisis. This reflects a better spread of healthcare services across the population with better access to the health centres, called Puskesmas locally, in the rural areas.

2.2.4 External Funding

One crisis-period adjustment was increased reliance on foreign assistance in the health sector. According to the Indonesian Ministry of Finance, the donor share of health spending accounted for less than 10% in the mid 1990s, increasing to 25% of total government health spending during 2000.

In the last 10 years, there has been a significant growth in the inflow of external funds into Indonesia. According to a study undertaken by the WHO in 2004, total disbursements from external sources to the health sector in Indonesia in 2002 amounted to USD 188.2 million. Multilateral agencies like Development Banks and UN agencies contributed approximately two thirds of total disbursements, and bilateral agencies the other third. A small share was contributed by other foundations, public-private partnerships, and international NGOs.

Figure 2.7 lists these sources and amounts of external funding that Indonesia received in 2002.

Figure 2.7: External Funding Sources and Disbursements in Indonesia, 2002

No.	Funding Source	USD, Mn
i.	**Bilateral Agencies**	**64.9**
	- USAID	35.6
	- Korea	8.7
	- JICA	6.6
	- AusAID	5.4
	- CIDA	5.2
	- Spain	2.0
	- Germany	1.3
ii.	**Multilateral Agencies**	**118.8**
	Development Banks	***93.0***
	- World Bank	20.6
	- Asian Development Bank	72.4
	UN Agencies	***25.8***
	- WHO	12.5
	- UNICEF	7.0
	- UNFPA	6.3
iii.	**Public-Private Partnerships**	**3.7**
	GAVI	3.7
iv.	**Private non-for-profit**	**0.9**
	Gates Foundation	0.9
	TOTAL	**188.2**

Source: WHO, Frost & Sullivan

The public health sector was the main recipient of 80% of all funds of which an estimated USD 51 million was received by the central government, USD 89 million by the provincial and district governments, USD 10 million by National Control Programs and about USD 38 million by foreign and local NGOs. All regions and provinces in Indonesia received these external funds. The funds were allocated into 4 major components: health systems and health services, maternal and child health, infectious diseases (HIV/AIDS, tuberculosis and malaria), and reproductive health.

A major threat faced by Indonesia is that of Avian Flu. There was a pledge for USD 55 million from international sources for prevention and management of the disease in 2006. The Indonesian Task Force for Avian Flu has received USD 47 million thus far and is awaiting more funds from USAID and the World Bank.

Given the current state of the health sector in Indonesia and total health expenditure, Frost & Sullivan believes that the need for foreign health funding in Indonesia, to meet the increasing demand for health services, will continue to grow in the next 10 years.

2.3 Healthcare Infrastructure

Figure 2.6 gives an overview of the healthcare infrastructure in Indonesia.

According to the Indonesian Department of Health, in the last 10 years, the number of hospitals in Indonesia has increased by more than 17%. The private sector contributed to the majority of this increase growing by around 34% during the same period.

Figure 2.6: Healthcare Infrastructure in Indonesia, 2003-2005

Infrastructure	2003	2004	2005e
Number of Hospitals	1,234	1,246	1,264
Private Hospitals	559	621	629
Public Hospitals	616	625	635
Beds	131,129	132,231	133,580
Physicians	27,952	28,594	29,272
Specialized Practitioners	14,440	14,927	15,385
Nurses	105,733	110,702	115,905

Source: Indonesian Department of Health, Frost & Sullivan

Figure 2.7 indicates the total number of government and private hospitals in Indonesia, by different categories of bed size, in 2004.

Figure 2.7: Number of Hospitals by bed Size, 2004

Region	<=50	50 –200	200-600	>600
Government	147	388	79	11
Private	325	257	39	—

Source: Indonesian Department of Health

The large number of private hospitals with less than 50 beds is attributed to the number of maternity and child care hospitals. The government is looking to increase the regional presence of healthcare with smaller bed-size hospitals in the range of 50 to 200 beds.

There are 2 general hospitals with over 1,000 beds, 1 of which is owned by the Department of Health and the other by a provincial government.

The number of hospitals in each province, as listed in Figure 2.8, clearly shows the gap in healthcare infrastructure between the developed and under-developed areas.

The islands Java and Sumatra have the highest concentration of hospitals. The growth of hospitals in the past 10 year period has been highest for Central and East Java (Jawa Tengah and Jawa Timur) at 31.5% and 40.2%, respectively.

Figure 2.8: Hospitals by Province in Indonesia, 2004

Region	Hospitals	Region	Hospitals
Jawa Tengah	171	Banten	22
Jawa Timur	164	Sulawesi Utara	20
Jawa Barat	125	Lampung	19
Sumatera Utara	122	Sulawesi Tengah	19
DKI Jakarta	113	Maluku	17
Sulawesi Selatan	60	Jambi	15
Sumatera Barat	40	Nusa Tengarra Barat	12
D.I. Yogyakarta	34	Sulawesi Tengarra	12
Riau	34	Kalimantan Tengah	11
Bali	33	Irian Jaya Timur	10
Sumatera Selatan	30	Irian Jaya Barat	9
Aceh	28	Bengkulu	7
Kalimantan Selatan	26	Irian Jaya Tengah	6
Kalimantan Timur	26	Bangka Belitung	5
Kalimantan Barat	25	Maluku Utara	4
Nusa Tengarra Timur	24	Gorontalo	3

Source: Indonesian Department of Health

3

Key Drivers Impacting Healthcare

3.1 Factors Driving the Need for Healthcare Services in Indonesia

Figure 3.1: Market Drivers of Healthcare in Indonesia, 2005

Rank	Driver
1	Better Regional Accessibility to Healthcare
2	Ageing Population
3	Rise in Non-communicable Diseases Incidence
4	High Occurrence of Infectious or Communicable Diseases

Source: Frost & Sullivan

Better Regional Accessibility to Healthcare

The Indonesian government's vision of a healthy nation by 2010 has given due importance to the setting up of health centres and upgrading existing ones. At present less than 25% of the regional health centres are fully established. It is targeted that by 2010 at least 40% of these health centres will be fully established and the existing, established health centres will be upgraded to nursing homes with in-patient caring. Until recently, the distribution of healthcare infrastructure in the country was skewed to select states and urban areas as the healthcare initiative was led by the profit-seeking private sector. With the government stepping in to bring about uniform and equitable health services to all Indonesians the number and reach of regional health centres will increase and drive demand for better healthcare services.

Figure 3.2 shows the projected increase in utilization of healthcare or access in 2015 compared to that in 2000.

Figure 3.2: Increase in Access or Utilization of Healthcare in Indonesia, 2000-2015

Level of care	Projected Increase in Access
Primary Care	26.6%
Specialist	50.4%
Hospital	20.1%

Source: The World Bank, 2002

Ageing Population

The demand for healthcare is driven by the continuing increase in life expectancy and the decline in fertility resulting in a faster ageing population. The age structure of the population in Indonesia shows a similar declining trend in the younger age group (0-14 years) and an increase in the elderly group (65 years and above). The proportion of young persons declined from 36.0% in 1990 to 30.8 in 2000 and is projected to decline to 26.3% in the year 2010 (Figure 3.3). The proportion of elderly meanwhile, increased from 3.8% through 4.8% to 6.0% during the same time period. Although, a similar trend can be observed in the population age structure in the South East Asian Region, the rate of change in Indonesia is more rapid than the region.

Figure 3.3: Trends in Population Age Structure in Indonesia and the South East Asian Region (SEA), 1990-2010

	1990			2000			2010		
	0-14	15-64	65+	0-14	15-64	65+	0-14	15-64	65+
Indonesia	36.0	60.2	3.8	30.8	64.4	4.8	26.3	67.7	6.0
SEA Region	36.5	59.4	4.1	33.2	62.0	4.8	29.1	65.3	5.6

Source: UN (World Population Prospects, The 2000 revision)

Rise in Non-communicable Disease Incidence

According to the WHO Regional Office for South East Asia, non-communicable diseases are assuming alarming proportions in the South East Asia Region. These account for 51% of all deaths and 44% of the disease burden in the region. These diseases can no longer be regarded as a problem confined to the developed countries and affluent segments of society. In fact, they are clearly emerging as a major public health challenge in developing countries of the South East Asian Region.

In Indonesia, ageing population and changing lifestyles have led to an increase in non-communicable diseases like cardio vascular diseases, hypertension, diabetes and cancer. Cardiovascular diseases and cancer are already amongst the top 5 causes of mortality in Indonesia. Growing incidences of these diseases will drive the demand for health services in the country.

Based on a World Bank report on Indonesia in 2002, the percentage of deaths due to cardiovascular diseases increased 64% from 1990 to 2000 and those attributed to cancer increased 44% during the same period. As a percentage of total deaths, number of deaths caused by cancer and cardiovascular diseases increased from 19% to 30% during the last decade.

Diabetes also poses a major threat. It is a condition which leads to various other complications like kidney failure, heart failure, and gangrenous ulcers, which not only require expensive and long term medication and care but also tend to disable the person, thus affecting his or her quality of life drastically. At present, there are approximately 8.3 million diabetic patients in Indonesia.

High Occurrence of Infectious or Communicable Diseases

Unlike developed nations, infectious or communicable diseases continue to be the most common killers amongst children and young adults in the South East Asian Region and, like most countries in the region, Indonesia is trying to control and manage these diseases. The country still faces a very high risk of food or water-borne as well as vector-borne infectious diseases like diarrhea, hepatitis, malaria and occasional outbreaks of dengue. More than 1.5 million cases of malaria are detected every year. Tuberculosis and typhoid/paratyphoid are among the top 5 causes of mortality. Over 115,000 new cases of tuberculosis are recorded every year, while typhoid and paratyphoid claim 4.5 million lives each year. Indonesia has recently also been the epi-centre of the H5N1 avian influenza which is considered a big threat to the healthcare situation world over.

However, the rate of infectious diseases has been declining in Indonesia. From 1990 to 2000 the percentage of deaths due to tuberculosis and diarrhea decreased by 11% and 40%, respectively. The government of Indonesia is working with organizations such the ADB and WB towards the prevention and control of infectious diseases, and has set targets for the year 2010 as illustrated in Section 4.1.

3.2 Current Medical Insurance and Coverage

Based on a 2002 report by the WHO, less than 15% of the Indonesian population had health insurance coverage. Majority of those covered were under government led public programs, with private insurers covering only 4% of the population. A large potion of the private insurance coverage is employer-led. Most organizations in Indonesia provide health benefits to employees. Such benefits are usually in the form of hospitalization and surgical expense reimbursement to employees and their dependants. In terms of additional benefits, however, some firms also cover expenses ranging from outpatient to maternity and dental care.

3.2.1 Key Payors and Plans Offered

There are several private players in the health and life insurance arena in Indonesia. The market is dominated by firms who have partnered with renowned international insurers like PT Asuransi Allianz Insurance, PT Credit Suisse Life & Pensions and PT Asuransi Jiwa Manulife Indonesia.

PT Asuransi Allianz Insurance

PT Asuransi Allianz Life Indonesia is part of the Allianz Group which is one of the world's leading providers of insurance and financial services. It started operating in Indonesia in 1996, and offers life and health insurance solutions among others for individuals as well as corporate organizations. The Indonesian operations today boast of a wide network of more than 60 agency offices throughout Indonesia in more than 42 locations, supported by 6,000 financial consultants dedicated to serving some 280,000 policyholders.

SmartHealth Violet – Individual Health Insurance Program

This program essentially has inpatient coverage. The product can be enhanced at a premium to include maternity, dental and outpatient care. There are no annual limits on the claimable amount and policy holders are free to choose their provider.

SmartHealth – Group Health Insurance

This plan offers employers a comprehensive coverage of healthcare services for their employees ranging from inpatient visits to immunization and birth control. It follows a module where in the policy holder can flash a card which exempts him or her from paying for medical help at the point of service. The premium decides whether the plan allows the person to access unpaid medical services at Allianz appointed providers or limited payment services at all providers.

PT Credit Suisse Life & Pensions (CSLP)

CSLP Indonesia is a joint venture between the international Credit Suisse Group and the Indonesian PT Asuransi Wahana Tata, one of the leading general insurance firms in Indonesia and PT Ekamulia Catrapratama.

WinHealth

CSLP provides life as well health insurance to individuals as well as to corporate customers. Its health insurance plan is called WinHealth which is an employer-sponsored plan. Most organizations in Indonesia provide health benefits in the form of inpatient and surgical expense reimbursement of the employees and their dependants. Some companies offer additional benefits inclusive of outpatient, maternity, dental and ophthalmologic care.

PT Asuransi Jiwa Manulife Indonesia (Manulife)

Manulife introduced health insurance in 2003. Their Living Protection insurance covers individuals in the event that any of the 38 pre-listed diseases should occur. These include cancer, stroke, heart failure, multiple sclerosis, Alzheimer's disease, Parkinson's disease, muscular dystrophy and polio. This scheme is aimed towards Indonesians in the age group of 18-50 years. Living Protection health insurance provides a predetermined lump sum payment if the person is detected with any of the 38 critical diseases during the coverage period, or until the insured reaches age 65. However, some illnesses are deliberately not covered in order for Manulife to provide maximum coverage at an affordable cost.

3.3 Patient Outflow – a Future Opportunity

The lack of affordable and quality medical care in the country has led many Indonesians to seek medical treatment outside the country. Malaysia and Singapore attract the bulk of these patients. This growing patient outflow is also fuelled by the absence of a binding medical insurance coverage within the country. Therefore, patients attempt to get the best services, for the same amount, outside Indonesia.

Figure 3.2 shows the percentage of Indonesian population who visited Singapore and Malaysia for medical treatments in 2000, 2003, 2004 and 2005.

Figure 3.2: Percentage of Indonesian Population Seeking Medical Treatment in Malaysia and Singapore, 2000-2005

Country	2000	2003	2004	2005
Singapore	0.02%	0.05%	0.07%	0.08%
Malaysia	0.03%	0.03%	0.06%	0.06%(e)

Source: Frost & Sullivan

Singapore is perceived as the destination for high quality medical care and is sought after by Indonesians who can afford to pay for the relatively higher expenses. According to the Singapore Tourism Board, in 2003, revenues from medical expenses made by foreign patients in Singapore were USD 116 million of which Indonesian patients contributed USD 108 million. Raffles Hospital and the 3 Parkway Group hospitals are popular destinations for affluent Indonesian patients. Approximately 64 percent of foreign patients are estimated to seek treatment at the Parkway Group hospitals. In 2005, the Group earned 40 percent of its revenues from foreign patients.

Malaysia is gaining popularity as a destination for medical treatment, not only because of better services than Indonesia but also because of better prices and quality, often comparable to Singapore. The treatments that Indonesians seek in Malaysia range from coronary bypass surgeries to chemotherapies to fertility help and even medical check ups. The cost of treatment in Malaysia is considered by many to be more cost effective than that available in Indonesia.

Since 2000, Singapore has seen almost 100% growth in the number of Indonesian patients seeking treatment whereas Malaysia has seen close to 200% growth in the same period and has already taken over Singapore.

Owing to the growing outflow of Indonesian patients to countries like Malaysia and Singapore, large hospital groups in these countries have set up their own or affiliated medical referral centres in cities and towns across the length and breadth of Indonesia. The Parkway Holdings Group has 15 medical referral centres in Indonesia in the regions of, Balikpapan, Bandung, Banjarmasin, Batam, Jakarta, Jambi, Makassar, Manado, Medan, Padang, Palembang, Pekan Baru, Pontianak, Solo and Surabaya. It attracts the largest portion of Indonesian patients to its hospitals in Singapore.

4

National Strategies, Implementation Plans & Role of Hospitals in Indonesia, 2000-2005

4.1 Government Strategies and Implementation Plans

4.1.1 Indonesia Sehat 2010

The Ministry of Health has set a vision of Healthy Indonesia 2010 by prioritizing 4 main elements of health sector development, namely, national development with health focus, professionalism, decentralization and development of managed health insurance.

National Development with Health Focus

The objective of national development should be towards developing a health conscious nation by forming a healthy environment and inculcating healthy behavior. Priority will be a more effective maintenance and promotion of health as compared to curative and rehabilitative health services.

In order to implement the development with health concerns, it needs socialization, orientation, campaign and training activities so that all stakeholders understand and can implement the national development with health concerns. Beside that, further elaboration of activities is needed for the concept so that they become truly operational and measurable regarding all of the achievements and impacts resulted.

Professionalism

Professionalism in the healthcare sector implies that standards of healthcare delivery, healthcare manpower, healthcare infrastructure, etc. are achieved. The implementation of quality health services needs support not only from advances in medical science and technology but also from qualified human resources to use those advances.

Professionalism should also work within an ethical framework, requiring all healthcare personnel to uphold all professional oaths and code of ethics. Levels of professionalism need to be checked periodically to ensure that the focus is maintained.

The Indonesian government has identified the following to be carried out for inculcation of professionalism in the healthcare sector: ‘determination of standards of competence of health manpower, training based on competence, accreditation and legislation of health manpower, and other quality improvement activities’.

Guaranteed Health Maintenance Program (JPKM)

The JPKM is a form of a managed healthcare program where public participation has to be widely supported in terms of the real shape profile funds and resources so as to promote autonomy towards a healthy life style. JPKM calls for more public participation in mobilizing funds as well in their successful implementation. This is to help towards creating a more equitable healthcare system. The JPKM structure works towards promoting more preventive and sustainable services over curative and rehabilitative service so as to improve the health of the society as well as the quality of healthcare services it receives.

The strategy has to be implemented with the due efforts towards socialization, orientation, and training to all related sides will be done so that they understand the concept and program of JPKM.

Decentralization

Indonesia is a vast country with large geographical and economical disparities between regions. The ensure health development, arrangement of various health efforts should start from the problems and specific potentials of each region. Decentralization is the delegation of more autonomy to the regional governments in regulating their own governance system and local affairs. This is deemed suitable for the management and implementation of future national development programs.

Decentralization requires the necessary resources; human, financial and operational. Determination of roles and activities of the central and regional governments in health sector, analysis of regional capabilities, upgrading of regional human resources, training, repositioning of manpower and other activities have to be carried out before the process of decentralization can be implemented.

To achieve the results above, a list of 50 indicators have been identified by the Ministry of Health to gauge the progress of the program and ensure that targets are achieved for the year 2010. These indicators are classified as Health Status Indicators, Intermediate Indicators and Process and Input Indicators. The vision of the Indonesia Sehat 2010 is to have a healthy and health conscious society through improved levels of sanitation, better healthcare delivery, better access to healthcare services, better payment structures and better healthcare infrastructure.

Figures 4.1 to 4.3 list the targeted healthcare indicators for the year 2010.

Figure 4.1: Health Status Indicators Targeted under Indonesia Sehat 2010

Indicator	2010 (Target)
Mortality	
Infant mortality rate (per 1000 live births)	40
IMR (under 5) (per 1000 live births)	58
Maternal mortality rate (per 100,000 live births)	150
Life Expectancy at birth	67.9
Morbidity	
Malaria infection rate (per 1000 persons)	5
TB BTA+ recovery rate	85
HIV prevalence (% on high risk group)	0.9
Acute Flaccid Paralysis (AFP) for adolescents < 15 years old (per 100,000 adolescents)	0.9
Dengue fever infection rate (per 100,000 persons)	2
Nutrient Status	
Percentage (%) of age < 5 with poor nutrient status	15
Percentage (%) of provinces with good nutrition level	80

Source: Ministry of Health, Indonesia

Figure 4.2: Intermediate Indicators Targeted under Indonesia Sehat 2010

Indicator	2010 (Target)
Environmental Situation	
Percentage (%) of healthy homes	80
Percentage (%) of healthy public areas	80
Healthy Behavior	
Percentage (%) of families with healthy and hygienic life style	65
Percentage (%) of fully established and self-reliant Health Centres	40
Accessibility and Quality of Health Services	
Percentage (%) of people utilizing health centres	15
Percentage (%) of people utilizing hospital	1.5
Percentage (%) of mobile health centres with health laboratory capabilities	100
Percentage (%) of hospitals that provide 4 basic specialized health services	100
Percentage (%) of generic drugs ready for dispensing	100

Source: Ministry of Health, Indonesia

Figure 4.3: Process and Input Indicators

Indicator	2010 (Target)
Health Services	
Percentage (%) of delivery by health staff	90
Percentage (%) of villages achieving '"universal child immunization"	100
Percentage (%) of villages that had an epidemic but received services in < 24 hours	100
Percentage (%) of pregnant women receiving Iron tablets	80
Percentage (%) of breast-fed babies	100
Percentage (%) of primary school children receiving dental care and oral examination	100
Percentage (%) of employee receiving company-sponsored health services	80
Percentage (%) of poor families receiving health services	100

Source: Ministry of Health, Indonesia

4.2 Key Hospitals and Groups in Indonesia

4.2.1 Profiles of Leading Hospitals in Indonesia

Healthcare in Indonesia until recently was concentrated in the more economically developed areas such as Jakarta and Medan. Owing to this the key hospitals are all concentrated in and around the capital city, Jakarta. These hospitals comprise of public hospitals like RS Harapan Kita, RS Cipto Mangunkusumo, RS Dr. Soetomo; private non-profit hospitals like RS Cikini, RS Kanker Dharmais, RS St Elisabeth and private hospitals like Metropolitan Medical Centre, RS Medistra, RS Siloam and RS Mitra.

For the purpose of the study, the focus is on the private hospitals in Indonesia. This particular sector is dominated by 2 big players which have several hospitals under their aegis. There are 4 key hospitals under the Indonesian group Siloam Healthcare and 3 key hospitals under the Australian group Ramsay Health Care. The hospitals covered in this section are:

i. Siloam Healthcare Group (Siloam),

ii. Ramsay Medical Group (Ramsay), and

iii. RS Husada

iv. RS Cikini

Siloam Healthcare Group (Siloam)

Background and History

The Siloam Healthcare group is part of PT. Lippo Karawaci, TBK. This company was consolidated from a group of 8 companies in 2004. The group has 3 areas of operation which have been crucial to the infrastructure development in Indonesia. Developing residential and commercial properties, hotels and hospitals are the objectives of the group.

Business Operations

Figure 4.4: Business Operations of the Siloam Healthcare Group Hospitals in Indonesia, 2003-2004

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2003	4	250	65
		205	61
		160	66
		120	43
2004	4	250	73
		205	62
		160	63
		120	40

Source: Company Annual Report 2004, Frost & Sullivan

The healthcare division comprises of 4 major hospitals in 2 of which are in Jakarta, 1 in Surabaya and the newest 1 in Cikarang. These hospitals not only boast of high standards of healthcare and advanced medical technology but also specialist.

Financial Profile

Figure 4.5: Financial Data for the Siloam Healthcare Group Hospitals in Indonesia, 2003-2005 (USD)

Year	Revenue	Operating Profit	ROE
2003	41.5 mn	6.4 mn	41.2%
2004	47.3 mn	6.6 mn	13.3%
2005	52.6 mn	8.8 mn	20.3%

Source: Company Annual Report 2005

The revenue from the healthcare sector in 2004 rose by 14% from the previous year. The majority of increase was due to the performance of the Siloam Hospitals Lippo Karawaci revenues of which rose by 24 %.

Ramsay Health Care Group (Ramsay)

Background and History

The RS Mitra in Jakarta, RS Internasional Bintaro and the RS Internasional Surabaya are part of the Australian Ramsay Health Care Group. Until 2003, these 3 hospitals were a part of the Mayne Group. The healthcare division suffered under this group and its 41 hospitals in Australia and 3 in Indonesia were subsequently taken over by the Affinity Health.

Affinity Health was Australia's largest private hospital operator claiming 21% of private hospital beds and 25% of patients admitted to private hospitals. In less than a year in 2005, Affinity Health was acquired by Ramsay. This acquisition made Ramsay the premier primary healthcare provider in Australia with a presence in Indonesia as well. Today, Ramsay has 72 private hospitals across Australia and Indonesia with over 7,800 beds and more than 20,000 staff.

Business Operations

Figure 4.6: Business Operations of the 3 Ramsay Health Care Hospitals in Indonesia, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	3	617	64
2005	3	665	68

Source: Frost & Sullivan

With the takeover of the 3 hospitals in late 2005, there has been a marked increase in the number of beds per hospital as well as better occupancy rates. This could be attributed towards better awareness of the levels of healthcare services at these the 3 centres as well as the rise in disease incidence. The RS Internasional Bintaro has excess capacity and is yet to commission 25 beds more.

Financial Profile

Figure 4.7: Financial Data for the Ramsay Health Care Group, 2001-2005 (USD)

Year	Revenue	Core Profit	EBITDA	ROE
2001	—	12.4 mn	29.5 mn	7.9%
2002	410.9 mn	23.4 mn	43.6 mn	13.9%
2003	491.1 mn	27.9 mn	49.6 mn	14.6%
2004	569.3 mn	31.6 mn	57.4 mn	14.1%
2005	1,069.0 mn	38.3 mn	71.6 mn	5.1%
Affinity Health, 2005	—	1.7 mn	21.4 mn	—

Source: Company Annual Reports, 2001- 2005

The sharp rise in the revenues and EBITDA for the group between 2004 and 2005 is attributed to the acquisition of Affinity Health and the consolidation of services at Ramsay's end, inclusive of the divestiture 14 hospitals in Australia. Ramsay is a publicly listed company and its share price been steadily increasing since 2003.

Future Plans

The group has plans of setting up 2 specialist centres by July this year. Indonesian patients who require treatment for cancer and can afford it, travel to Singapore or Malaysia for their treatment. The incidences of cancer and diabetes are on the rise as these are both degenerative and chronic diseases which become more rampant with age.

A Diabetes Centre and a Cancer Centre are being developed as centres of excellence in this group of hospitals. This will increase the demand for the hospitals healthcare services and may also impact a reversal in the patient drain to other countries.

RS Husada

The 75 years old RS Husada was erected by Dr. Kwa Tjoan Sioe on December 28 1924. It began its operations as a simple polyclinic. In 1971, the RS Husada was accredited by the government and the department of health as the key hospital in the northern territory of Jakarta. Today, it has a capacity of 482 beds and has an occupancy rate of 60%. It boasts of centres of excellence for hepatitis and diabetes.

Presently, RS Husada is in the process of upgrading its hospital information system for better efficiency in maintenance of patient records and billing.

It plans to increase its capacity as well as consolidate the existing one by converting some Class 3 (subsidized) beds into Class 2 beds so as to deal with long waiting times and over burdening of hospital facilities.

In an effort to increase access to the patients, the hospital is planning to open more centres of care and are also considering the option of starting home care services, where nurses and midwives from the hospitals will visit patients at their home.

RS Cikini

RS Cikini was established during the Dutch colonial era and is now 108 years old. Located in Central Jakarta, it has a capacity of 334 beds which it plans to increase to 350 by the end of this year. It currently has a bed occupancy rate of 61%.

The hospital is charitable and receives financial support from Holland. It has partnerships with smaller hospitals in Jakarta and Medan who refer their patients to RS Cikini for treatment as it offers discounts and treatments free of charge for people opting for their Class 3 beds.

The hospital is currently upgrading its IT (Information Technology) system to link up doctors' diagnoses with the drug dispensing unit to speed up the process. It also plans to add a pediatric surgery unit to its existing centres for heart and internal medicine.

4.2.2 Property Rent and Lease

Figure 4.8 shows the prices and rents of properties in the vicinity of key hospitals in Indonesia.

Figure 4.8: Property Price and Rent in Locations around Key Hospitals in Indonesia. 2005 (USD)

No.	City	Location	Property Type	Hospital in the vicinity	Sale (psqm)	Rent (psqm/ year)	Yield
1	Bekasi	Lippo Cikarang	Residential	Siloam Lippo Cikarang	343.3	—	—
2	Jakarta CBD	Gatot Subroto	Residential	RS Medistra	937.7	18.8	0.02
3	Jakarta CBD	Kuningan	All	-	389.7	—	—
4	Jakarta CBD	Kuningan	Office	-	1,450.0	—	
5	Jakarta CBD	Rasuna Said	Office	RS MMC	—	96.0	—
6	Jakarta CBD	Rasuna Said	Apartments	RS MMC	1,264.7	—	—
7	Jakarta CBD	Sudirman	Office	-	—	100.2	—
8	Jakarta CBD	Sudirman	Office	-	1,690.0	—	
9	Jakarta Pusat	Mangga Besar	Commercial	RS Husada	2,493.0	—	
10	Jakarta Seletan	Pondok Indah	Residential	RS Pondok Indah	1,020.3	36.7	0.04
11	Jakarta Utara	Kebon Jeruk	Commercial	RS Graha Medika	1,980.5	—	—
12	Tangerang	Bintaro Jaya	Residential	Internasional Bintaro	—	13.5	—
13	Tangerang	Casablanca	Land	RS Mitra	576.9	—	—
14	Tangerang	Lippo Karawaci	Industrial	Siloam Lippo Karawaci	135.0	—	—

Source: Indonesian Property Agency

5

Potential Developments in the Healthcare Industry in Indonesia by 2008

5.1 Developments in the Healthcare Sector in 2006

The Indonesian Minister of Health chaired a National Health Planning Meeting in September 2006 to address the relationship for healthcare delivery between the national government and the local governments. The following issues were addressed:

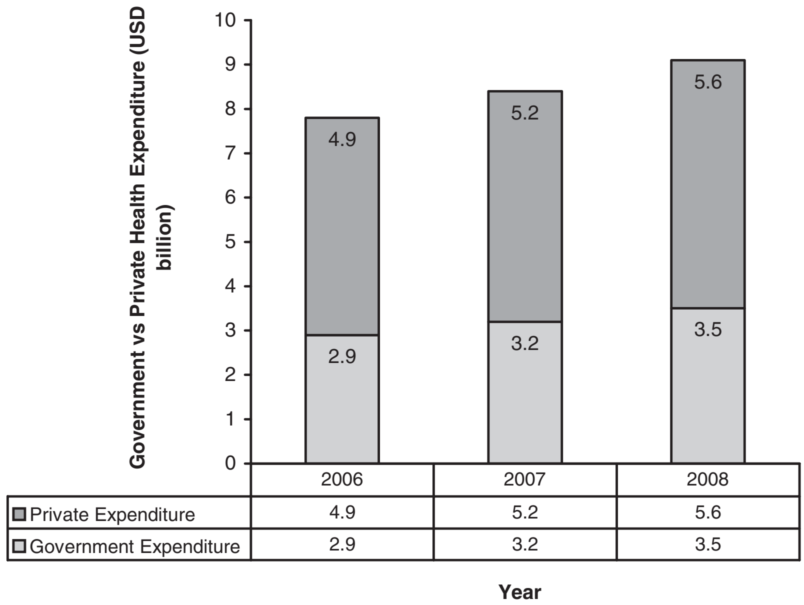
- Uneven distribution of specialists amongst districts: The Minister called for the number of specialists needed, and the facilities required by the specialists to operate in those districts. This would help the national government work towards providing infrastructure that will ensure that specialists are able to work in those districts.
- Health services for the poor: The Ministry will ensure that treatment is provided to all, especially the poor even if they are not in possession of health cards. They will also look at providing support to the tune of Rp 1,500 per person per month at each health centre.
- Providing autonomy to district hospitals for managing their own income: At present the income from district hospitals is handed over to the region for them to decide further allocation. This will change to provide the district hospitals more control over the funds they generate. This is a move towards decentralization as well as making the hospitals more self-reliant.
- Establishing a Emergency/ Disaster-Response program: This will involve establishing health posts in every village as well as Madrasa (teaching and boarding establishments) to ensure that disease alerts are raised at an early stage for them to be managed.

The government will require more funding and more involvement from the private sector to see the country through this transition in healthcare financing and delivery.

5.2 Growth in Healthcare Expenditure, 2006-2008

In spite of the Asian economic crisis in 1997, the Indonesian healthcare expenditure has continued to grow. The healthcare industry slumped in the period post the crisis and has since then revived itself to its pre-crisis levels and better.

Figure 5.1: Healthcare Expenditure Growth in Indonesia, 2006-2008



Source: Frost & Sullivan

Healthcare expenditures as a percentage of GDP have been steadily growing over the past 5 years. This trend is expected to continue to keep the momentum of the Indonesia Sehat 2010 going. The healthcare expenditure as percentage of GDP was 3.6 % in 2005 and is estimated to reach 3.8 % by 2008.

The government's commitment to the health initiative will be seen in the fact that though the private sector will continue to be the major contributor for these 3 years, the trend for public healthcare expenditure as a percentage of total healthcare expenditure will increase at a growing rate as compared to private healthcare expenditure.

But given the current trend of the economy and the high investment required for rehabilitating and expanding the health sector, it is unlikely that the government will be able to allocate such funds. Further, the government has made a commitment to target available funds towards curative treatment for the poor.

In keeping with the vision of the Indonesia Sehat 2010 plan, certain health indicators have shown a positive turn. Mortality rates have shown a gradual decline, particularly the maternal mortality ratio but the occurrence of communicable diseases remains a public health hazard and the increase in incidence of cardiovascular diseases and other degenerative diseases is another important issue that needs to be addressed.

Focusing on chronic illnesses associated with an ageing population as opposed to infectious diseases will have significantly different requirements in terms of facilities, treatments and personnel. Current allocations for public healthcare are insufficient to implement this strategy. The private sector is considered to be the most likely source of growth of the healthcare but the focus of the government policy remains on the public system.

5.2.1 Government Perspective

Decentralization is a paradigm shift towards health sector reform in Indonesia. Local governments have become the focal point for healthcare provision: their share in total public health spending increased from 10 % prior to decentralization to 50 % in 2001. This shift was intended to customize public spending to local conditions and variations in disease patterns. The disadvantage of decentralization lies in the possible loss of economies of scale, increase in regional disparities and a lack of critical health information.

In an effort to decentralize and add professionalism, some subsidies have been provided to public hospitals to support primary healthcare services, particularly for the needy, by converting public hospitals into self-supporting service units. The "health card" program was also introduced to improve the access of the poor to healthcare services. The Indonesian public has been encouraged to join the "voluntary managed care plan" (JPKM) for better health protection and access to services.

In the development of the health system, some of the crucial issues that the government is looking at are law enforcement and legislative actions for health protection, organization of health administration for effective management, review of health ministry functions in keeping with the policy of a decentralized district administration, development of the health management information system (HMIS), and the move towards privatization of health services with increasing demand for sophisticated medical techniques and services. In the area of health services, though availability has substantially improved, attention needs to be paid to the quality of services provided, particularly in public health facilities.

The trends in socioeconomic development have overall been positive, though negative influences related to changes in lifestyle are observed in urban areas. A political environment conducive to health development, the role of women, equity, and community participation augur well for health development in the future.

5.2.2 Provider Perspective

The health system in Indonesia relies heavily on the private sector and this should be given due importance by the government failing which health outcomes will not be improved. More people seek care in the private sector for such critical services as birth delivery, child diarrhea, and acute respiratory infection than in the public sector, and this proportion is rising, even among the poor. Given the reliance of health delivery on the private sector, the Indonesian Department of Health must safeguard private health service users by ensuring quality and accountability through regulation and licensing. At present the following opportunities exist for the private sector provider.

Public – Private Partnerships

The government's efforts to increase equanimity in healthcare services and decentralize regional units will require the participation and cooperation of the private sector. This will give healthcare groups the chance to take up existing centres or set up new ones in the areas which lack healthcare providers. The private health sector will also be able to access a constructive interface with proper representation with the Indonesian Department of Health. In the past, the private health sector stakeholders have felt that the government has often implemented policies that were detrimental to their interests. A forum like this would help create mutually beneficial policies and garner more support from the private healthcare sector.

Revision of Tax Structure

To encourage the growth of private sector health provision, and engage the private sector in meeting national health goals, the government of Indonesia will have to revise their tax code to include health insurance and JPKM managed care premiums as tax-exempt employee benefits. The amendment of the prevailing tax, import, and investment regulations may provide a significant stimulant for private health sector growth. A basic change is also required from the central as well as regional governments to encompass a more global and comprehensive view of the needs and issues of the entire healthcare system; both public and private sectors.

Consolidation of Businesses

Large healthcare providers will be looking at consolidating their operations through mergers ad acquisitions. This is a very evident trend in the region as well as in Indonesia itself. Thus far private sector groups took over other private sector groups. With the advent of decentralization and privatization private sector groups can increase their network by acquiring public health centres as well. The government needs to encourage public and private cooperation for promoting professionalism as well as achieving economies of scale.

5.2.3 The Path Ahead

To meet the targets of the Indonesia Sehat 2010 plan, the Indonesian healthcare system requires significant development so as to be able to accommodate the current and potential healthcare needs arising from population growth, ageing of the population, and a changing disease profile. The private health sector has to play a large part towards this effort and to that effect, a meaningful alliance between the public and private health sectors is required.

With decentralization, the Indonesian Department of Health will be relieved of many of its existing duties and responsibilities. It can now prioritize care of the poor and take up the responsibility for the performance of the total healthcare system in terms of planning, regulation, and facilitation. To achieve this goal the Department of Health will have to create an environment that will encourage the growth of the private health sector without excessive government intervention

It is imperative to the success of the healthcare sector in Indonesia that both the Government and the private health sector commit to an alliance based on facilitation and stimulation.

6

Overview of the Healthcare Industry in other ASEAN Countries

6.1 Malaysia

Figure 6.1: Major Indicators in Malaysia, 2003-2005

Demographic Indicators	2003	2004	2005
Population (mn)	23.09	23.52	23.95
Population Growth Rate (%)	1.90	1.86	1.83
Birth Rate (per 1,000)	23.7	23.37	23.07
Mortality Rate (per 1,000)	5.12	5.08	5.06
Life Expectancy (Female)	74.51	74.81	75.11
Life Expectancy (Male)	69.01	69.29	69.56
Healthcare Indicators			
Total Healthcare Expenditure (USD bn)	3.19	3.57	4.00
Government : Private Healthcare Expenditure	1.72	1.81	1.89
Per Capita Healthcare Expenditure (USD)	138.18	151.94	166.83
Number of Hospitals	353	357	362
Number of Specialized Practitioners	4,502	4,661	4,817
Number of Nurses	38,310	40,532	42,760

Source: WHO, Frost & Sullivan

6.1.1 Key Trends

Government Support

The Malaysian government has given the healthcare sector top priority, and is committed to improving the sector. Under the 8th Malaysia Plan, the healthcare sector was allocated a budget of USD 1.4 billion for expansion in the period of 2001 to 2005. Around 99 % of the budget was slated to be spent on medical care services development for financing of the existing and equipping of the new hospitals and clinics.

The focus in Malaysia is on health promotion and disease prevention instead of treatment and rehabilitation. Presently, the government is the provider and the predominant financier (purchaser) in the Malaysian healthcare system. Third party payment is still not popular in Malaysia. While in the private sector, the provider and the purchasers are different.

Rise in Medical Tourism

Patients from neighboring countries with less developed medical infrastructure and those from developed countries with high healthcare costs are choosing to seek medical treatment in Malaysia rather than their own countries. This segment of the market is projected to be USD 0.58 billion by 2010.

6.1.2 Key Hospitals and Profiles of Leading Hospitals Groups

The following are the key hospitals studied in Malaysia:

i. KPJ Healthcare Berhad (KPJ), and

ii. Pantai Group (Pantai)

KPJ Healthcare Berhad (KPJ)

Background and History

KPJ Healthcare Berhad is the healthcare division of the Johor Corporation. Incorporated in 1992, as an investment holding company, KPJ today has 33 subsidiary and associate companies with principal activities in providing medical and specialist healthcare services. It was the first healthcare group to be listed on the Malaysian stock exchange.

It also owns a range of healthcare support services such as; pharmaceutical and medical supplies distribution network, nursing college, an institute of healthcare management with international affiliation, and healthcare technical services including hospital development, commissioning, maintenance and bio-medical engineering services.

Business Operations

Figure 6.2: Business Operations of KPJ Healthcare Group in Malaysia, 2004-2005

Year	Number of Hospitals	Beds	Bed Occupancy Rate (%)
2004	13	1,537	60
2005	13	1,537	68

Source: Frost & Sullivan

Till late 2005, KPJ had a network of 13 hospitals staffed by 420 specialists from varied disciplines and over 3,350 employees; Johor Specialist Hospital, Ampang Puteri Specialist Hospital, Tawakal Hospital, Puteri Specialist Hospital, Kedah Medical Centre, Hospital Penawar, Seremban Specialist Hospital, Ipoh Specialist Hospital, Damansara Specialist Hospital, Kuantan Specialist Hospital, Bukit Mertajam Specialist Hospital, Hospital Pakar Perdana, and the Kuching Specialist Hospital. Since then they have acquired the Damai Specialist hospital in Kota Kinabalu.

KPJ has several centres of excellence; cardiac centres at 5 hospitals, cancer centres at 3 hospitals, in-vitro facilities in 2 hospitals, and a premier screening and wellness centre at its flagship hospital Ampang Puteri Specialist Hospital.

They have begun operating 2 hospitals in Indonesia; Rumah Sakit Selasih in Padang and Rumah Sakit Medika Permata Hijau in Jakarta.

Financial Performance

Figure 6.3: Financial Performance of the KPJ Healthcare Group, 2000-2005 (USD)

Year	Revenue	EBT	ROE
2000	33.6 mn	4.1 mn	7.5%
2001	39.6 mn	4.7 mn	8.1%
2002	58.1 mn	6.0 mn	4.7%
2003	137.1 mn	8.6 mn	8.4%
2004	159.9 mn	10.9 mn	7.6%
2005	177.6 mn	12.3 mn	9.5%

Source: Company Annual Reports, 2001- 2005

KPJ was listed on the Malaysian stock exchange in November 1994 with USD 229.7 million worth of assets and shareholders funds of USD 96.6 million and with paid up capital of USD 54.1 million. Since then, it has developed into one of the largest private healthcare groups in the country with revenues of USD 159.9 million in 2004.

In July 2006, the KPJ Healthcare Bhd., announced the first Islamic Real Estate Investment Trust, Al-'Aqar KPJ REIT. Included in the REIT were 6 of KPJ's key hospital properties worth USD 129 million. The approved fund size is 340 million units of which Al-'Aqar KPJ REIT will retain 47.06 percent ownership. 15 million units were offered to retail investors and 165 million to institutional investors. The proposed allocation of the proceeds is towards further hospital property acquisitions and financing the renovation and expansion of existing properties.

Future Plans

The group has plans of increasing its network of hospitals in Malaysia and beyond. It has already entered a joint venture with the Continental Hospital in Dhaka to provide technical expertise as well as hospital management services. They are in the process of building a hospital in Indonesia, this will bring the number of hospitals operated by KPJ in Indonesia to 3. This hospital, Rumah Sakit Bumi Sepong Damal in Jakarta, is expected to begin operations by the end of 2006.

The development of a new hospital in the vicinity of the existing Tawakal Hospital in Kuala Lumpur is already underway. This 180-bed hospital is slated to commence operations by the end of 2006 and will house 40 specialist clinics.

The group is also increasing its focus on health tourism, especially from Indonesia. Indonesians account for 3 percent of the patients treated at their Johor-Bahru hospitals: Johor Specialist and Puteri Specialist. Over 4,500 Indonesians were treated in these 2 hospitals in 2005 and over 1,900 were treated in the first quarter of 2006. To enhance the inflow of patients, especially form Tanjung Pinang and Batam, KPJ Healthcare Bhd. has entered an MOU early in 2006 with the Rumah Sakit Harapan Bunda in Batam.

The group has been considering strengthening its alliances with other medical groups and universities for knowledge-sharing and creating a drive for excellence in healthcare delivery.

Pantai Hospitals Sedan Berhad (Pantai)

Background and History

Pantai Hospitals Sedan Berhad is a wholly owned subsidiary of Pantai Holdings Berhad. Pantai Holdings Berhad is a public listed company on the Malaysia stock exchange. As a forerunner in the healthcare industry, Pantai is aggressively promoting its medical packages, services and facilities abroad and has targeted tourists from South East Asia and the Middle East. The firm also offers healthcare support services such as, nursing and undergraduate medical education, clinical laboratory network, hi-tech clinical waste disposal service and telemedicine services.

Business Operations

Figure 6.4: Business Operations of Pantai Hospital Sedan Berhad in Malaysia, 2004-2005

Year	Number of Hospitals	Beds	Bed Occupancy Rate (%)
2004	7	1,158	72
2005	7	1,158	78

Source: Frost & Sullivan

Pantai is a major provider of healthcare services in Malaysia with a network of 7 hospitals; Pantai Medical Centre, Pantai Putri Hospital, Pantai Indah Hospital, Pantai Mutiara Hospital, Pantai Klang Hospital, Pantai Klang Hospital and Pantai Ayer Keroh Hospital.

Financial Performance

Figure 6.5: Financial Performance of the Pantai Hospital Sedan Berhad, 2001-2005 (USD)

Group	Revenue	EBT	ROE
2001	81.3 mn	(43.1) mn	(38.4)%
2002	106.4 mn	3.7 mn	1.3%
2003	137.3 mn	4.9 mn	1.3%
2004	164.9 mn	(25.1) mn	(22.7)%
2005	185.9 mn	18.1 mn	7.9%

Source: Company Annual Reports, 2001-2005

In September 2005, Parkway Holdings Limited from Singapore became the group's largest stake holder. The group recovered from a net loss of USD 30.3 million in 2004 to show a positive EBITDA of 0.02 million.

Future Plans

The group has plans of consolidating its business activities and building up its core competencies with prudent investments and divestment decisions in keeping with Malaysia's thrust for becoming a healthcare tourism destination.

6.2 Philippines

Figure 6.6: Major Indicators in Philippines, 2003-2005

Demographic Indicators	**2003**	**2004**	**2005**
Population (mn)	84.62	86.24	87.86
Population Growth Rate	1.96	1.92	1.84
Birth Rate (per 1,000)	26.3	25.8	25.31
Mortality Rate (per 1,000)	5.6	5.53	5.47
Life Expectancy (Female)	72.28	72.61	72.92
Life Expectancy (Male)	66.44	66.74	67.03
Healthcare Indicators			
Total Healthcare Expenditure (USD bn)	2.57	2.69	2.83
Government: Private Healthcare Expenditure	0.79	0.81	0.82
Per Capita Healthcare Expenditure (USD)	30.31	31.17	32.17
Number of Hospitals	1,752	1,771	1,790
Number of Specialized Practitioners	20,236	20,726	21,219
Number of Nurses	359,680	365,830	371,930

Source: WHO, Frost & Sullivan

6.2.1 Key Trends

The Philippines healthcare industry provider space is dominated by the private sector in terms of the number of hospitals. The private sector concentration in urban and metro regions has caused an imbalance in the delivery of healthcare services. To tackle this problem, the Philippines government made 2 important changes in the early 1990's; devolution of healthcare facilities of the centrally funded Department of Health into the LGU or Local government units and the launch of the PhilHealth social insurance scheme that aims to cover 25 million Filipinos in 6 years.

The focus of the government is on the establishment of local/ regional health systems for effective and efficient delivery of healthcare services. Inter-Local Government Units (LGU) linkages and cost sharing schemes including local healthcare financing systems will be promoted for better utilization of local health resources. Participation of the private sector, non government organizations (NGOs), and communities in local health systems development will be encouraged and health human resources will be developed in accordance with the development of hospital systems and public health programs.

The hospital sector in the Philippines will see growth in terms of the volumes due to the increased coverage by the PhilHealth Scheme. The volume growth would be gradual and over a long period of time as a larger percentage of the Philippines population gets coverage under the health insurance scheme.

6.2.2 Key Hospitals and Profiles of Leading Hospitals Groups

The following are the key hospitals studied in Philippines:

i. Makati Medical Centre (Makati),

ii. Metropolitan Medical Centre (MMC), and

iii. Asian Hospital Incorporated.

Makati Medical Center (Makati)

Background and History

Built in 1969, Makati Medical Center is still considered one of the leading hospitals in Metro Manila. The hospital is a general hospital which provides acute care in a variety of specialties such as medicine, surgery, obstetrics and gynecology. Due to the facility's location within the CBD, many expatriates utilize the Makati services such as maternity, mammograms, cosmetic surgery, radiation, laboratory work and other departments. Apart from the specialities it offers, there are dedicated centres for cancer and dialysis.

Business Operations

Figure 6.7: Business Operations of the Makati Medical Center in Philippines, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	1	600	78
2005	1	707	75

Source: Frost & Sullivan

Growing demands and long waiting periods urged the hospital to increase its bed size to over 700 beds in 2005 from 600 in 2004. It is staffed by over 575 doctors and 1,000 nurses.

Financial Operations

The financial condition of this hospital was grim till early 2005. Accumulated losses from 2002 up till the first 5 months of 2005 were USD 5.8 million. In 2005, the PDLT (Philippine Long Distance Telephone) Group Chairman, Manuel Pangilinan took over as Chairman of Makati and PDLT infused funds into the ailing hospital to sustain and expand its operations.

Future Plans

Makati is in the process of opening another facility in the same vicinity with additional bed space to cater to the growing demand from domestic as well as international medical tourism. The healthcare delivery divide between the urban and the rural landscape has led to domestic medical tourism - an increasing burden from rural areas on the urban hospitals.

Metropolitan Medical Centre (MMC)

Background and History

With a 27-storey medical tower, the Metropolitan Medical Center built in 1968 stands tall in the Chinatown district of Manila. It caters mainly to the Chinese and Filipino community in the city. It houses over 300 doctors in various specialties and comprises of a Wellness Centre, Dental Centre, and Women's Healthcare Centre, amongst other specialties.

Business Operations

Figure 6.8: Business Operations of the Metropolitan Medical Center in Philippines, 2004-2005

Year	Number of Hospital(s)	Bed Size	Bed Occupancy (%)
2004	1	300	78
2005	1	300	75

Source: Frost & Sullivan

Future Plans

MMC has plans to increase access to consumers by establishing more medical centres in non-urban areas to bridge the gap the healthcare delivery gap between urban and non-urban areas. It also has plans to set up centres of excellence for neuroscience and cancer, and is targeting a capacity of 900 beds by the year 2010.

Asian Hospital Incorporated (Asian Hospital)

Background and History

The Asian Hospital Incorporated, through its wholly owned subsidiary Healthcare Properties Incorporated established the Asian Hospital and Medical Center in the southern Metro Manila area in 2002.

Business Operations

Figure 6.9: Business Operations of the Asian Hospital Incorporated in Philippines, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	1	258	80
2005	1	258	82

Source: Frost & Sullivan

Financial Operations

The Thai hospital group, Bumrungrad Hospital, took management control of Asian Hospital in 2005 after acquiring 40% equity (worth about $9.2 million) in the Alabang, Muntinlupa medical facility. The entry of Bumrungrad is a big boost in Asian Hospital's bid to become a major player in medical tourism in the region.

Future Plans

The hospital plans to increase its capacity from 258 beds at present to 500 beds in the future with a new wing dedicated to foreign patients. It is working towards international accreditations and has already received accreditation from the Commonwealth of Northern Mariana Islands.

6.3 Singapore

Figure 6.10: Major Indicators in Singapore, 2003-2005

Demographic Indicators	2003	2004	2005
Population (mn)	4.18	4.24	4.35
Population Growth Rate %	0.30	1.44	2.59
Birth Rate (per 1,000)	10.30	10.10	10.00
Mortality Rate (per 1,000)	4.40	4.30	4.30
Life Expectancy (Female)	80.90	81.30	81.60
Life Expectancy (Male)	76.90	77.40	77.90
Healthcare Indicators			
Total Healthcare Expenditure (USD bn)	1.40	1.63	1.81
Government : Private Healthcare Expenditure	0.39	0.40	0.42
Per Capita Healthcare Expenditure (USD)	335.00	385.25	416.10
Number of Hospitals	29	29	29
Number of Specialized Practitioners	2,156	2,264	2,371
Number of Nurses	18,763	19,329	20,414

Source: WHO, Frost & Sullivan

6.3.1 Key Trends

Singapore a Broad Based Medical Hub

With health standards in comparison ranked second only to Japan, Singapore has developed a highly advanced medical market and earned a distinguished reputation for being the regional medical treatment centre for ASEAN countries. Singapore is fast becoming a destination of choice for foreign medical patients as it has a wide range of specialty areas and expertise in various clinical fields. To keep up with this, its providers have capabilities across the entire spectrum of healthcare services from primary to tertiary care. Moreover, the government has plans to position Singapore as the leading Clinical (medical expertise) and Economic Medical (high throughput of patients) hub in the region. Such measures will undoubtedly spur the growth of the healthcare sector in Singapore.

Emergence of Singapore as Research and Biomedical Sciences Hub

The Economic Development Board (EDB) has been actively attracting contract research organizations to set up offices in Singapore. This has helped established pharmaceutical and biotech companies in developing advance therapeutics and new drugs, as well as spurred new start-ups and the growth of new pharmaceutical and biotechnology companies.

6.3.1 Key Hospitals and Profiles of Leading Hospitals Groups

The following are the key hospital groups studied in Singapore are:

i. The Raffles Medical Group (Raffles), and

ii. The Parkway Medical Group (Parkway).

Raffles Medical Group (Raffles)

Background and History

Raffles Medical Group, founded in 1976 and subsequently listed in Singapore in 1997, has evolved from 2 clinics to become one of the leading integrated private healthcare providers in Singapore and the region today. It currently owns operations in Singapore and Hong Kong.

With its flagship Raffles Hospital and a network of 60 clinics across Singapore, 4 clinics in Hong Kong and representative offices in Indonesia and Bangladesh, Raffles is fast gaining proportions of a very large beyond its traditional markets to the region and beyond. It also has market presence in Bangladesh, Sri Lanka, Dubai, Abu Dhabi, Bahrain and Korea.

Business Operations

Figure 6.11: Business Operations of the Raffles Medical Group in Singapore, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	1	380	65
2005	1	380	72

Source: Frost & Sullivan

In 2005, the flagship Raffles Hospital recorded the highest number of patient visits since it started its operations in 2001. It currently has 34 % of its patients coming from more than 100 countries. Foreign patients from traditional markets like Indonesia and Malaysia have increased and at the same time new markets of the likes of Bangladesh, Myanmar, Korea, India and Russia have emerged.

Financial Profile

Figure 6.12: Financial Performance of the Raffles Medical Group, 2004-2005 (USD)

Year	Revenue	EBITDA	EBT	ROE
2000	38.7 mn	—	4.4 mn	5.2%
2001	47.1 mn	—	(4.4) mn	(8.2)%
2002	54.3 mn	—	3.7 mn	4.8%
2003	61.1 mn	—	6.3 mn	8.3%
2004	62.6 mn	9.4 mn	7.7 mn	10.1%
2005	69.6 mn	10.6 mn	9.1 mn	—

Source: Company Financial Report 2005

The rise in the revenues and EBITDA for the group between 2004 and 2005 is attributed to the stellar performance of the Raffles Hospital which showed 134.4 % growth in profit since 2004. The growth in profits for the hospital is attributed to the increase in patient visits which has led to more efficient utilization of the facilities resulting in greater cost efficiency.

Future Plans

Raffles has plans of increasing its clinics, strengthening its hospital in terms of services and contributing to the healthcare tourism hub initiative of the Singapore government. It also plans to upgrade its Jakarta Representative Office into a medical centre in addition to establishing representative offices in Vietnam, Myanmar, Sri Lanka and India.

Parkway Holdings Limited (Parkway)

Background and History

Parkway Holdings Limited is one of the largest private healthcare providers in Asia. Before the acquisition of major share holding in Malaysia's Pantai Medical Group, Parkway had under its aegis 3 hospitals in Singapore, 2 in Malaysia, 1 in Brunei and 1 in India. Its healthcare services division has a wide network of clinics and laboratories with cutting-edge diagnostic equipment and quality services appealing to large corporate clients.

Business Operations

Figure 6.13: Business Operations of the Parkway Medical Group in Singapore, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	3	1,008	64
2005	3	1,042	68

Source: Frost & Sullivan

In line with Parkway's strategic direction of building on its strengths and capitalizing on its growth in key regional markets, Parkway has acquired a 31 % stake (USD 85.45 million) in Pantai Holdings Berhad. Pantai is Malaysia's biggest healthcare service provider in terms of market capitalization at USD 175 million. This recent acquisition expands Parkway's base of business and presence in Malaysia, from 2 hospitals to 9 hospitals.

Financial Profile

Figure 6.14: Financial Performance of the Parkway Medical Group, 2000-2005 (USD)

Group	Revenue	EBITDA	ROE
2000	234.8 mn	63.9 mn	22.8%
2001	220.4 mn	53.6 mn	3.0%
2002	208.3 mn	55.1 mn	7.8%
2003	215.1 mn	52.9 mn	7.8%
2004	251.6 mn	68.4 mn	12.4%
2005	338.7 mn	83.3 mn	16.2%
Singapore Hospitals	**Revenue**	**EBITDA**	**ROE**
2000	138.3 mn	44.8 mn	—
2001	136.2 mn	43.5 mn	—
2002	133.9 mn	38.7 mn	—
2003	137.8 mn	39.8 mn	—
2004	159.5 mn	49.1 mn	—
2005	185.2 mn	54.4 mn	—

Source: Company Annual Reports, 2000-2005

The increase in group revenue and EBITDA over 2004-2005 is partly due to the acquisition of the Pantai Group's 7 hospitals in Malaysia.

Revenue contribution from the Singapore hospitals segment grew 16 % compared to previous year due to increased inpatient admissions from local and foreign patients as well as increased demand for high intensity specialties. New services, equipment and doctors as well as upgraded facilities contributed to this increased patient load. The EBITDA of the Singapore hospital segment increased by 23 %, mainly due to higher patient volume and revenue.

Future Plans

The group's domestic plans include strengthening of operations by providing state-of-the-art medical care to domestic and international patients. It wants to grow its international operations by developing existing operations and exploring new opportunities. The group will also be adding to its network of medical referral centres in order to boost the already growing number of foreign patients.

6.4 Thailand

Figure 6.15: Major Indicators in Thailand, 2003-2005

Demographic Indicators	2003	2004	2005
Population (mn)	64.27	64.87	65.44
Population Growth Rate	0.97	0.94	0.87
Birth Rate (per 1,000)	16.37	16.04	15.7
Mortality Rate (per 1,000)	6.86	6.94	7.02
Life Expectancy (Female)	73.53	73.71	74.37
Life Expectancy (Male)	69.07	69.23	69.65
Healthcare Indicators			
Total Healthcare Expenditure (USD bn)	8.32	8.80	9.25
Government : Private Healthcare Expenditure	0.62	0.62	0.63
Per Capita Healthcare Expenditure (USD)	129.40	135.73	141.27
Number of Hospitals	2,147	2,246	2,346
Number of Specialized Practitioners	11,164	11,401	11,664
Number of Nurses	68,882	71,520	74,175

Source: WHO, Frost & Sullivan

6.4.1 Key Trends

Government's Aggressive Health Policy

The Thailand government sees vast potential in fast-tracking the development of Thailand's healthcare and health related services. The mission spearheaded by the Ministry of Public Health and the Ministry of Commerce in 2004, aims to firmly establish Thailand's leader position on 2 fronts as both a "Health Tourism Hub of Asia" and the "Wellness Capital of Asia".

On the home front, there is move towards managed care with the appropriate public-private mix through pilot activities conducted in more than 20 provinces in the country. A new mechanism of hospital governance is being developed, where the community, local government and central government can be equal partners of hospital ownership.

Competition in the Private Hospital Sector

Private hospitals in Thailand are of a high standard and have highly qualified medical staff, overseas trained doctors and specialists. Also many private hospitals have established partnerships with first-class international medical schools and healthcare institutions both in Europe and in the United States. There is fierce competition on the private healthcare market, and consequently the standards maintained by these hospitals are very high.

Health Insurance Coverage

Universal coverage is supported by the new constitution of Thailand. Various payment mechanisms employed in Thailand (Capitation, Case basis, Fee for services) have been evaluated and will be the basis for the design of an effective and efficient policy for healthcare finance. The 30 baht universal coverage policy, which caters to all those who are uninsured and registered in different provinces, has already been implemented.

6.4.2 Key Hospitals and Profiles of Leading Hospitals Groups

The following are the key hospital groups studied in Thailand;

i. Bumrungrad International (BI),

ii. Krungdhon Hospital Public Group (Krungdhon Hospital), and

iii. Bangkok Hospital Group (Bangkok Hospital).

Bumrungrad International (BI)

Background and History

Bumrungrad International started its operations in 1980 as a 200-bed hospital. Today, it is the largest private hospital in South East Asia, occupying 1 million square feet and receiving over 900,000 patients per year. It also operates the largest private clinic in Southeast Asia. The hospital has a number of first-in-Asia to its credit such as Canadian Standard Accreditation and the accreditation by the US based Joint Commission on International Accreditation (JCIA).

BI also has international operations which include facilities in Bangladesh, Myanmar, the Asian Hospital in the Philippines, and 1 being built in Dubai.

Business Operations

Figure 6.16: Business Operations of Bumrungrad International in Thailand, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	1	554	65
2005	1	554	75

Source: Frost & Sullivan

The hospital in Bangkok is staffed by over 700 internationally trained/ certified doctors, dentists and an equal number of nurses.

Financial Profile

BI is a wholly owned subsidiary of the Bumrungrad Hospital Public Company, Ltd. (BHPCL), a publicly traded company founded in 1980, which listed on the Stock Exchange of Thailand in 1989. Its principal owners include the Bangkok Bank (Thailand's largest) and the Sophonpanich family, one of Thailand's most respected business families.

Figure 6.17: Financial Data for the Bumrungrad Hospital, 2003-2005 (USD)

Year	Revenue	EBITDA	EBIT	ROE
2002	95.4 mn	18.6 mn	—	38.2%
2003	120.1 mn	26.6 mn	20.90 mn	52.9%
2004	151.0 mn	35.0 mn	29.29 mn	45.3%

Source: Company Annual Reports, 2003-2004

The rise in revenue and EBITDA over 2003-2004 is attributed to the increase in the revenues from foreign patients coming to the hospital. Foreign patients contributed to 49% of the revenues in 2004.

Future Plans

A major expansion of the BI's Bangkok campus is underway which will add a USD 30.7 billion, 22 storey building comprising 25,000 square meters of outpatient clinics as well as parking and administrative facilities. Phase 1 of the new addition opens in 2006 and will allow unfettered growth of the hospital for 5 to 7 years and a doubling of revenue generating capacity.

The Group's strategy is to maintain quality superiority through a differentiated product that includes BI as Thailand's only internationally accredited hospital. Also, pricing is targeted below the top tier of Thai hospitals while remaining price competitive in the region. The company also seeks to maintain as the dominant player by operating hospitals in key markets such as Myanmar, Bangladesh and the Middle East.

In 2005, the company entered a joint venture with UAE's Istithmar PJSC, a major investment house, to set up its first hospital in the region. This facility is set to have a capacity of 125 beds in the first phase with an investment of USD 81.7 million.

Krungdhon Hospital Public Company Limited (Krungdhon Hospital)

Business Operations

Krungdhon Hospital Public Company Limited is registered as a public company in Thailand. The group's principal activity is the operation of a hospital business, having 2 hospitals, both located at Bangkok.

Figure 6.18: Business Operations of the Krungdhon Hospital Group in Thailand, 2004-2005

Year	Number of Hospitals	Bed Size	Bed Occupancy (%)
2004	2	310	64
2005	2	310	68

Source: Frost & Sullivan

The Krungdhon Hospital 1 has 210 beds and the Krungdhon Hospital 2 has 100 beds. These are both general hospitals.

Financial Profile

Figure 6.19: Financial Data for the Krungdhon Hospital Group, 2002-2003 (USD)

Year	Revenue	EBITDA	Net Profit	ROE
2002	9.3 mn	1.5 mn	0.99 mn	11.5%
2003	9.8 mn	1.3 mn	0.74 mn	4.7%

Source: Company Annual Report 2003

Revenues of the group have grown by 7% from 2002 to 2003, but the EBITDA has dropped by 18%.

Bangkok Hospital Group (Bangkok Hospital)

Background and History

Bangkok General Hospital is one of the biggest hospitals in Thailand which provides tertiary healthcare. The hospital was established in 1972 by a group of doctors and pharmacists, starting with 5 specialists and 30 full time nurses. Today, Bangkok General Hospital has more than 400 full-time & consultant physicians and 600 nurses. Bangkok Hospital has gradually expanded its network to many provinces and is now the leading hospital of a whole network of hospitals throughout the country.

The group has a network of 16 hospitals. Its flagship, Bangkok General Hospital, has facilities such as Medical Imaging equipped with Magnetic Resonance Imaging (MRI) and Computerized Tomography (CT scan), "MEDTRAK" Online Medical Tracking System, and the only Leksell Gamma Knife treatment centre for brain surgery available in Thailand. It operates several other specialist centres and clinics ranging from neuroscience and kidney centres to ophthalmology and dental centres.

Financial Profile

Figure 6.20: Financial Data for the Bangkok Hospital Group, 2003-2004 (USD)

Year	Revenue	Net Income	ROE
2003	80.1 mn	10.0 mn	10%
2004	137.0 mn	16.2 mn	10%

Source: Company Annual Report 2004

The sharp rise in the revenues is due to the increase in patient service revenues from specialized medical services and acquisition of 4 hospitals in 2003-2004; Bangkok Trat Hospital C, Bangkok Hat Yai Hospital, Bangkok Samui Hospital Company Limited and Bangkok Phuket Hospital Company Limited.

Future Plans

The Bangkok Hospital aims to further enhance its competitive advantages and strengthen its medical service capabilities. The eastern region of the country is seen as a high-potential area as it is an important tourist destination and one of the country's centres of economic, transportation and industrial development. The group plans to expand its network to 20 hospitals over the next 5 years in line with medical services liberalization, either through acquisitions or establishing new hospitals.

Appendix

Abbreviations Used

UNDP	United Nations Development Program
WHO	World Health Organization
Puskesmas	Health Centre
USAID	United States Agency for International Development
JICA	Japan International Cooperation Agency
AusAID	Australian Agency for International Development
CIDA	Canadian International Development Agency
UNICEF	United Nations Children's Fund
UNFPA	United Nations Population Fund
GAVI	The Global Alliance for Vaccines and Immunization
WB	World Bank
IT	Information Technology
KPJ	KPJ Healthcare Berhad
MMC	Metropolitan Medical Centre, Manila
BI	Bumrungrad International
BHG	Bangkok Hospital Group
gp	Group
USD	United States Dollar
RM	Malaysian Ringgit
RS	Rumah Sakit (Hospital)
Mn	Million
Bn	Billion
e	Estimate
F	Forecast

Definitions

National Poverty Line (Indonesia) "The national poverty line for Indonesia is the Rupiah value an individual needs to fulfill his or her daily minimum requirement for food of 2,100 kilocalories (kcal), plus non-food minimum needs, such as housing, clothing, health, education and transportation. People whose expenditures are less than the Poverty Line are classified as living below the Poverty Line, or as poor population."

Exchange Rates

Australian Dollar to USD	0.74
Indonesian Rupiah To USD	0.000108
Malaysian Ringgit to USD	0.269
Singapore Dollar to USD	0.617
Thai Baht to USD	0.026
Philippine Peso to USD	0.019

THIS PAGE INTENTIONALLY LEFT BLANK

TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION FOR AND ACCEPTANCE OF THE UNITS IN SINGAPORE

Applications are invited for the subscription of the Units at the Offering Price of S$0.71 per Unit on the terms and conditions set out below and in the relevant Application Forms or, as the case may be, the Electronic Applications (as defined below). Investors applying for the Units in the Public Offer or the Placement by way of Application Forms or Electronic Applications are required to pay the Offering Price of S$0.71 per Unit, subject to a refund of the full amount or, as the case may be, the balance of the application monies (in each case without interest or any share of revenue or other benefit arising therefrom) where (i) an application is rejected or accepted in part only, or (ii) the Offering does not proceed for any reason.

(1) Your application must be made in lots of 1,000 Units or integral multiples thereof. Your application for any other number of Units will be rejected.

(2) You may apply for the Units only during the period commencing at 9.00 a.m. on 5 December 2006 and expiring at 12 noon on 7 December 2006. The Offering period may be extended or shortened to such date and/or time as the Manager may agree with the Joint Lead Managers and Underwriters, subject to all applicable laws and regulations and the rules of the SGX-ST.

(3) (a) Your application for the Units offered in the Public Offer (the "**Offer Units**") may be made by way of the printed **WHITE** Offer Units Application Forms or by way of Automated Teller Machines ("**ATMs**") of the Participating Banks ("**Electronic Applications**").

(b) Your application for the Units offered in the Placement (the "**Placement Units**") may be made by way of the printed **BLUE** Placement Units Application Forms (or in such other manner as the Joint Lead Managers and Underwriters may in their absolute discretion deem appropriate).

(4) **You may use up to 35.0% of your CPF Investible Savings ("CPF Funds") to apply for the Units.** Approval has been obtained from the Central Provident Fund Board (the "**CPF Board**") for the use of such CPF Funds pursuant to the Central Provident Fund (Investment Schemes) Regulations, as may be amended from time to time, for the purchase of the Units. You may also use up to 35.0% of your CPF Funds for the purchase of the Units in the secondary market.

(5) If you are using CPF Funds to apply for the Units, you must have a CPF Investment Account maintained with the relevant CPF approved bank (which includes the Participating Banks). You do not need to instruct the CPF Board to transfer CPF Funds from your CPF Ordinary Account to your CPF Investment Account.

The use of CPF Funds to apply for the Units is further subject to the terms and conditions set out in the section on "Terms and Conditions for Use of CPF Funds" on page K-15 of this Prospectus.

(6) **Only one application may be made for the benefit of one person for the Offer Units in his own name. Multiple applications for the Offer Units will be rejected, except in the case of applications by approved nominee companies where each application is made on behalf of a different beneficiary.**

You may not submit multiple applications for the Offer Units via the Offer Units Application Form or Electronic Applications. A person who submits an application for the Offer Unit by way of the Offer Units Application Form may not submit another application for the Offer Units by way of an Electronic Application and *vice versa.*

A person, other than an approved nominee company, who submits an application for the Offer Units in his own name should not submit any other applications for the Offer Units, whether on a Application Form or through an Electronic Application, for any other person. Such separate applications will be deemed to be multiple applications and shall be rejected.

Joint or multiple applications for the Offer Units shall be rejected. Persons submitting or procuring submissions of multiple applications for the Offer Units may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, and such applications may be referred to the relevant authorities for investigation.

(7) Applications from any person under the age of 21 years, undischarged bankrupts, sole proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP will be rejected.

(8) Applications from any person whose addresses (furnished in their Application Forms or in the case of Electronic Applications, contained in the records of the Participating Banks, as the case may be) bear post office box numbers will be rejected. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.

(9) The existence of a trust will not be recognised. Any application by a trustee or trustees must be made in his/her or their own name(s) and without qualification or, where the application is made by way of a Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 10 below.

(10) **Nominee applications may only be made by approved nominee companies.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies will be rejected.

(11) **If you are not an approved nominee company, you must maintain a Securities Account with CDP in your own name at the time of your application.** If you do not have an existing Securities Account with the CDP in your own name at the time of application, your application will be rejected (if you apply by way of an Application Form) or you will not be able to complete your application (if you apply by way of an Electronic Application).

(12) Subject to paragraph 18 below, your application is liable to be rejected if your particulars such as name, National Registration Identity Card ("NRIC") or passport number, nationality and permanent residence status, and/or CDP Securities Account number provided in your Application Form, or in the records of the Participating Banks at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained by CDP. If you have more than one individual direct Securities Account with the CDP, your application shall be rejected.

(13) If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank is different from the address registered with CDP, you must promptly inform CDP of your updated address, failing which the notification letter on successful allocation from CDP will be sent to your address last registered with CDP.

(14) This Prospectus and its accompanying Application Forms have not been registered in any jurisdiction other than in Singapore. The distribution of this Prospectus and its Application Forms may be prohibited or restricted (either absolutely or unless various securities requirements, whether legal or

administrative, are complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Without limiting the generality of the foregoing, neither this Prospectus (including its Application Forms) nor any copy thereof may be taken, transmitted, published or distributed, directly or indirectly, in whole or in part, in or into the U.S. and they do not constitute an offer of securities for sale into the U.S. or any jurisdiction in which such offer is not authorised or to any person to whom it is unlawful to make such an offer. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, accordingly may not be offered or sold within the U.S., except in certain transactions exempt from the registration requirements of the Securities Act. The Units are being offered and sold in offshore transactions (as defined in Regulation S under the Securities Act ("Regulation S")) in reliance on Regulation S. Any failure to comply with this restriction may constitute a violation of U.S. securities laws.

(15) The Manager reserves the right to reject any applications for Units where the Manager believes or has reason to believe that such applications may violate the securities laws of any jurisdiction.

(16) No person in any jurisdiction outside Singapore receiving this Prospectus or its accompanying Application Forms may treat the same as an offer or invitation to subscribe for any Units unless such an offer or invitation could lawfully be made without compliance with any regulatory or legal requirements in those jurisdictions.

(17) The Manager reserves the right to reject any application which does not conform strictly to the instructions set out in this Prospectus (including the instructions set out in the Application Forms or in the ATMs of the Participating Banks) or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn up or improper form of remittance.

(18) The Manager further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in this Prospectus (including the instructions set out in the Application Forms and in the ATMs of the Participating Banks), and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

(19) Without prejudice to the rights of the Manager, the Joint Lead Managers and Underwriters, as agents of the Manager, have been authorised to accept, for and on behalf of the Manager, such other forms of application as the Joint Lead Managers and Underwriters may, in consultation with the Manager, deem appropriate.

(20) The Manager reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot, any application, without assigning any reason therefor, and none of the Trustee, the Manager and the Joint Lead Managers and Underwriters will entertain any enquiry and/or correspondence on the decision of the Manager. This right applies to applications made by way of Application Forms and by way of Electronic Applications and by such other forms of application as the Joint Lead Managers and Underwriters may, in consultation with the Manager, deem appropriate. In deciding the basis of allocation, the Manager will give due consideration to the desirability of allocating the Units to a reasonable number of applicants with a view to establishing an adequate market for the Units.

(21) The Units may be reallocated between the Placement and the Public Offer at the discretion of the Joint Lead Managers and Underwriters, in the event of an excess of applications in one and a deficit of applications in the other.

(22) It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Offering, and subject to the submission of valid applications and payment for the Units and the Offering Price being agreed upon between the Joint Lead Managers and Underwriters and the Manager, a statement of account stating that your Securities Account has been credited with the number of Units allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by the Manager. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Units allocated to you. This authorisation applies to applications made both by way of Application Forms and by way of Electronic Applications.

(23) You irrevocably authorise CDP to disclose the outcome of your application, including the number of Units allocated to you pursuant to your application, to the Manager, the Joint Lead Managers and Underwriters and any other parties so authorised by Manager and/or the Joint Lead Managers and Underwriters.

(24) Any reference to "you" or the "Applicant" in this section shall include a person, a corporation, an approved nominee company and trustee applying for the Units by way of an Application Form or by way of an Electronic Application.

(25) By completing and delivering an Application Form and, in the case of an Electronic Application, by pressing the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM, you:

(a) irrevocably agree and undertake to purchase the number of Units specified in your application (or such smaller number for which the application is accepted) at the Offering Price for each Unit and agree that you will accept such number of Units as may be allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and its accompanying Application Forms and the Trust Deed;

(b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and its accompanying Application Forms or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus and its accompanying Application Forms shall prevail;

(c) in the case of an application by way of an Offer Units Application Form or Electronic Application, agree that the aggregate Offering Price for the Units applied for is due and payable to the Manager upon application;

(d) in the case of an application by way of a Placement Units Application Form or such other forms of application as the Joint Lead Managers and Underwriters may, in consultation of the Manager, deem appropriate, agree that the aggregate Offering Price for the Units applied for is due and payable to the Manager upon application;

(e) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by the Manager in determining whether to accept your application and/or whether to allocate any Units to you; and

(f) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of the Manager nor any of the Joint Lead Managers and Underwriters will infringe any such laws as a result of the acceptance of your application.

(26) Acceptance of applications will be conditional upon, *inter alia*, the Manager being satisfied that:

(a) permission has been granted by the SGX-ST to deal in and for quotation of all of the Units on the Official List of the SGX-ST; and

(b) the Underwriting Agreement has become unconditional and has not been terminated;

(27) Additional terms and conditions for applications by way of Application Forms are set out in the section entitled "Additional Terms and Conditions for Applications using Application Forms" on pages K-5 to K-9 of this Prospectus.

(28) Additional terms and conditions for applications by way of Electronic Applications are set out in the section entitled "Additional Terms and Conditions for Electronic Applications" on pages K-9 to K-14 of this Prospectus.

(29) Terms and conditions governing the use of CPF funds are set out in the section entitled "Terms and Conditions for Use of CPF Funds" on page K-15 of this Prospectus.

(30) No application will be held in reserve.

(31) This Prospectus is dated 4 December 2006. No Units will be allocated on the basis of this Prospectus later than 12 months after the date of this Prospectus.

Additional Terms and Conditions for Applications using Application Forms

Applications by way of an Application Form shall be made on, and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below, as well as those set out under the section on "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore" on pages K-1 to K-15 of this Prospectus, and the Trust Deed.

(1) Applications for the Offer Units must be made using the printed **WHITE** Offer Units Application Forms and printed **WHITE** official envelopes "A" and "B", accompanying and forming part of this Prospectus.

Applications for the Placement Units must be made using the printed **BLUE** Placement Units Application Forms, accompanying and forming part of this Prospectus.

Without prejudice to the rights of the Manager, the Joint Lead Managers and Underwriters, as agents of the Manager, have been authorised to accept, for and on behalf of the Manager, such other forms of application, as the Joint Lead Managers and Underwriters may (in consultation with the Manager) deem appropriate.

Your attention is drawn to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms, which must be carefully followed. **The Manager reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn up or improper form of remittances.**

(2) You must complete your Application Forms in English. Please type or write clearly in ink using BLOCK LETTERS.

(3) You must complete all spaces in your Application Forms except those under the heading "FOR OFFICIAL USE ONLY" and you must write the words "NOT APPLICABLE" or "N.A." in any space that is not applicable.

(4) Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears on your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation.

(5) If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with First REIT's Unit Registrar and Unit Transfer Office. The Manager reserves the right to require you to produce documentary proof of identification for verification purposes.

(a) You must complete Sections A and B and sign page 1 of the Application Form.

(b) If you apply for the Units using cash only or cash and CPF Funds to pay for the Units, you are required to delete either paragraphs 6(c) or 6(d) on page 1 of the Application Form. Where paragraph 6(c) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).

(c) If you fail to make the required declaration in paragraph 6(c) or 6(d), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

(6) You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Units is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation.

(7) You may apply and make payment for your application for the Units in Singapore currency in the following manner:

(a) **Cash only —** You may apply for the Units using only cash. Each application must be accompanied by a remittance in Singapore currency for the full amount payable at the Offering Price of S$0.71 for each Offer Unit, or the Offering Price for each Placement Unit, as the case may be, in respect of the number of Units applied for. The remittance must be in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**FIRST REIT UNIT ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**" with the name, Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. No combined Bankers' Draft or Cashiers' Order for different Securities Accounts shall be accepted. Remittances bearing "NOT TRANSFERABLE" or "NON-TRANSFERABLE" crossings will be rejected.

(b) **CPF Funds only —** You may apply for the Units using only CPF Funds. Each application must be accompanied by a remittance in Singapore currency for the full amount payable at the Offering Price of S$0.71 for each Offer Unit, or the Offering Price for each Placement Unit, as the case may be, in respect of the number of Units applied for. The remittance must be in the form of a **CPF CASHIER'S ORDER** (available for purchase at the CPF approved bank with which the applicant maintains his CPF Investment Account), made out in favour of "**FIRST REIT UNIT ISSUE ACCOUNT**" with the name, Securities Account number and address of the applicant written clearly on the reverse side. Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted. For additional terms and conditions governing the use of CPF Funds, please refer to page K-15 of this Prospectus.

(c) **Cash and CPF Funds —** You may apply for the Units using a combination of cash and CPF Funds, PROVIDED THAT the number of Units applied for under each payment method is in lots of 1,000 Units or integral multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that applications for Offer Units are accepted in part only, the cash portion of the application monies will be used in respect of such applications before the CPF Funds are used. In the case of applications for Placement Units that are accepted in part only, the CPF Funds portion of the application monies will be used in respect of such applications before the cash portion is used.

An applicant applying for 1,000 Units must use either cash only or CPF Funds only. No acknowledgement of receipt will be issued for applications and application monies received.

(8) Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours after the balloting at your own risk. Where your application is accepted in full or in part only, the balance of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account. If the Offering does

not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

(9) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.

(10) By completing and delivering an Application Form, you agree that:

(a) in consideration of the Manager having distributed the Application Form to you and by completing and delivering the Application Form before the close of the Offering:

(i) your application is irrevocable; and

(ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

(b) all applications, acceptances or contracts resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(c) in respect of the Units for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification by or on behalf of the Manager and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of the Manager;

(d) The Manager may return (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post, at your own risk:

(i) where your application is unsuccessful, the monies paid within 24 hours after the balloting;

(ii) where your application is accepted in full or in part only, the balance of the application monies within 14 Market Days after the close of the Offering; and;

(iii) where the Offering does not proceed for any reason, the monies paid within three Market Days after the Offering is discontinued,

PROVIDED THAT the remittance accompanying such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account;

(e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

(f) reliance is placed solely on information contained in this Prospectus and that none of the Manager, the Trustee, the Joint Lead Managers, any of the Joint Lead Managers and Underwriters or any other person involved in the Offering shall have any liability for any information not contained therein;

(g) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, Securities Account number, CPF Investment Account number and Unit application amount to our Unit Registrar, CDP, CPF, Securities Clearing Computer Services (Pte) Ltd (“**SCCS**”), SGX-ST, the Manager, the Joint Lead Managers, the Trustee and the Joint Lead Managers and Underwriters (the “Relevant Parties”); and

(h) you irrevocably agree and undertake to purchase the number of Units applied for as stated in the Application Form or any smaller number of such Units that may be allocated to you in respect of your application. In the event that the Manager decides to allocate any smaller number of such Units or not to allocate any Units to you, you agree to accept such decision as final.

Applications for the Offer Units by way of Application Forms

(1) Your application for the Offer Units by way of Application Forms must be made using the **WHITE** Offer Units Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.

(2) You must:

(a) enclose the **WHITE** Offer Units Application Form, duly completed and signed, together with correct remittance for the full amount payable at the Offering Price of S$0.71 per Unit in Singapore currency in accordance with the terms and conditions of the Prospectus and its accompanying documents, in the **WHITE** official envelope "A" provided;

(b) in appropriate spaces on the **WHITE** official envelope "A":

(i) write your name and address;

(ii) state the number of Offer Units applied for; and

(iii) affix adequate Singapore postage;

(c) **SEAL THE WHITE OFFICIAL ENVELOPE "A";**

(d) write, in the special box provided on the larger **WHITE** official envelope "B" addressed to **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514**, the number of Offer Units you have applied for;

(e) insert the **WHITE** official envelope "A" into the **WHITE** official envelope "B" and seal the **WHITE OFFICIAL ENVELOPE "B" and DESPATCH BY ORDINARY POST OR DELIVER BY HAND** the documents at your own risk to **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514**, so as to arrive by 12 noon on 7 December 2006 or such other date(s) and time(s) as the Manager may agree with the Joint Lead Managers and Underwriters. Courier services or Registered Post must NOT be used.

(3) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

(4) No acknowledgement of receipt will be issued for any application or remittance received.

Applications for the Placement Units

(1) Your application for the Placement Units by way of Application Forms must be made using the **BLUE** Placement Units Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.

(2) The completed and signed **BLUE** Placement Units Application Form and your remittance, in accordance with the terms and conditions of this Prospectus, for the full amount payable at the Offering Price of S$0.71 per Unit in respect of the number of Placement Units applied for, with your name, Securities Account number and address clearly written on the reverse side, must be enclosed and sealed in an envelope to be provided by you. Your application for Placement Units must be delivered to **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514**, to arrive by 12 noon on 7 December 2006 or such other date(s) and time(s) as the Manager may agree with the Joint Lead Managers and Underwriters.

(3) In respect of an application for Placement Units, you may alternatively remit your application monies by electronic transfer to the account of **OCBC BANK, OCBC CENTRE BRANCH, Current Account number 517-141271-001** in favour of "**FIRST REIT UNIT ISSUE ACCOUNT**" by 12 noon on 7 December 2006 or such other date(s) and time(s) as the Manager may agree with the Joint Lead Managers and Underwriters. Applicants who remit their application monies via electronic transfer should send a copy of the telegraphic transfer advice slip to **OCBC BANK, 63 CHULIA STREET, OCBC CENTRE EAST #03-03, SINGAPORE 049514,** to arrive by 12 noon on 7 December 2006 or such other date(s) and time(s) as the Manager may agree with the Joint Lead Managers and Underwriters.

(4) Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

(5) No acknowledgement of receipt will be issued for any application or remittance received.

Additional Terms and Conditions for Electronic Applications

Electronic Applications shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions set out below and those under the section "Terms, Conditions and Procedures for Application for and Acceptance of the Units in Singapore" on pages K-1 to K-15 of this Prospectus, as well as the Trust Deed.

(1) The procedures for Electronic Applications are set out on the ATM screens of the Participating Banks.

(2) For illustration purposes, the steps for Electronic Applications through ATMs of OCBC Bank (the "Steps") are set out in page K-14 of this Prospectus. The Steps set out the actions that you must take at the ATMs to complete an Electronic Application.

Please read carefully the terms and conditions of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application.

(3) Any reference to "you" or the "Applicant" in these Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for the Units through an ATM of a Participating Bank.

(4) If you are making an Electronic Application:

(a) You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Units at an ATM belonging to other Participating Banks. The Steps set out the action that you must take at ATMs of OCBC Bank to complete an Electronic Application. The actions that you must take at ATMs of other Participating Banks are set out on the ATM screens of the relevant Participating Banks.

(b) You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with a Participating Bank, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

(c) Upon the completion of your Electronic Application, you will receive an ATM transaction slip ("Transaction Record"), confirming the details of your Electronic Application. The Transaction Record is for your retention and should not be submitted with any printed Application Form.

(5) In connection with your Electronic Application of Offer Units, you are required to confirm statements to the following effect in the course of activating the Electronic Application:

(a) that you have received a copy of this Prospectus and have read, understood and agreed to all of the terms and conditions of application for the Units and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;

(b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account number (if applicable) and Unit application amount (the "Relevant Particulars") from your account with the relevant Participating Bank to the Relevant Parties; and

(c) where you are applying for the Offer Units, that this is your only application for the Offer Units and it is made in your name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key in the ATM. By doing so, you shall be treated as signifying your confirmation of each of the three statements above. In respect of statement 5(b) above, your confirmation, by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore, including Section 47(2) of the Banking Act, Chapter 19 of Singapore, to the disclosure by the Participating Bank of the Relevant Particulars of your account(s) with the Participating Bank to the Relevant Parties.

(6) By making an Electronic Application, you confirm that you are not applying for Offer Units as nominee of any other person and that any Electronic Application that you make is the only application made by you as beneficial owner. You shall make only one Electronic Application for the Offer Units and shall not make any other application for the Offer Units, whether at the ATMs of any Participating Bank or on the Application Forms. Where you have made an application for Offer Units or Placement Units on an Application Form, you shall not make an Electronic Application for Offer Units and *vice versa*.

(7) You must have sufficient funds in your bank account with the Participating Bank at the time you make your Electronic Application, failing which such Electronic Application will not be completed. Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATMs of the Participating Banks through which your Electronic Application is being made shall be rejected.

(8) You may apply and make payment for your application for the Offer Units in Singapore currency in the following manner:

(a) **Cash only** — You may apply for the Offer Units through any ATM of the Participating Banks using only cash by authorising the Participating Bank to deduct the full amount payable from your bank account(s) with the Participating Bank.

(b) **CPF Funds only —** You may apply for the Offer Units through any ATM of the Participating Banks using only CPF Funds by authorising the Participating Bank to deduct the full amount payable from your CPF Investment Account with the Participating Bank. For additional terms and conditions governing the use of CPF Funds, please refer to page K-15 of this Prospectus.

(c) Cash and CPF Funds — You may apply for the Offer Units through any ATM of the Participating Banks using a combination of cash and CPF Funds, PROVIDED THAT the number of Offer Units applied for under each payment method is in lots of 1,000 Units or integral multiples thereof. Such applications must comply with the requirements for applications by cash and by CPF Funds as set out in the preceding paragraphs. In the event that such applications are accepted in part only, the cash portion of the application monies will be used in respect of such applications before the CPF Funds are used.

An applicant applying for 1,000 Offer Units must use either cash only or CPF Funds only.

(9) You irrevocably agree and undertake to subscribe for and to accept the number of Offer Units applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of such Offer Units that may be allocated to you in respect of your Electronic Application. In the event that the Manager decides to allocate any lesser number of such Offer Units or not to allocate any Offer Units to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM) of the number of

Offer Units applied for shall signify and shall be treated as your acceptance of the number of Offer Units that may be allocated to you and your agreement to be bound by the Trust Deed.

(10) The Manager will not keep any applications in reserve. Where your Electronic Application is unsuccessful, the full amount of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with the Participating Bank, at your own risk, within 24 hours after balloting provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

Where your Electronic Application is accepted in full or in part only, the balance of the application monies will be returned (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with the Participating Bank, at your risk, within 14 Market Days after the close of the Offering provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies received in the designated unit issue account.

If the Offering does not proceed for any reason, the full amount of application monies (without interest or any share of revenue or other benefit arising therefrom) will be returned to you within three Market Days after the Offering is discontinued.

Responsibility for timely refund of application monies (whether from unsuccessful or partially successful Electronic Applications or otherwise) lies solely with the Participating Banks. Therefore, you are strongly advised to consult the Participating Bank as to the status of your Electronic Application and/or the refund of any money to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Units, if any, allocated to you before trading the Units on the SGX-ST. None of the SGX-ST, CDP, SCCS, the CPF Board, the Participating Banks, the Manager, the Trustee, the Joint Lead Managers and Underwriters assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

(11) If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

Applicants who make Electronic Applications through the Participating Banks may check the provisional results of their Electronic Applications as follows:

Bank	**Telephone**	**Other Channels**	**Operating Hours**	**Service expected from**
OCBC Bank	1 800 363 3333	ATM / Internet Banking / Phone Banking[(1)]	24 hours a day	Evening of the balloting day
DBS Bank	1 800 339 6666 (POSB account holders) 1 800 111 1111 (DBS account holders)	Internet Banking www.dbs.com	24 hours a day	Evening of the balloting day
UOB Group	1 800 222 2121	ATM (Other Transactions – "IPO Enquiry")[(2)] www.uobgroup.com[(2)]	ATM/Phone Banking - 24 hours a day Internet Banking - 24 hours a day	Evening of the balloting day

Notes:

(1) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check your results of your application through OCBC Personal Internet Banking, OCBC ATMs and OCBC Phone Banking Services.

(2) If you have made your Electronic Application through the ATM of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group's ATMs or UOB Phone Banking services.

(12) Electronic Applications shall close at 12.00 p.m. on 7 December 2006 or such other date(s) and time(s) as the Manager may agree with the Joint Lead Managers and Underwriters.

(13) You are deemed to have irrevocably requested and authorised the Trustee or the Manager to:

(a) register the Offer Units allocated to you in the name of CDP for deposit into your Securities Account;

(b) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be rejected or if the Offering does not proceed for any reason, by automatically crediting your bank account with the Participating Bank, by ordinary post at your risk, with the relevant amount within 24 hours after balloting, or within three Market Days if the Offering does not proceed for any reason, after the close or discontinuation (as the case may be) of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account; and

(c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies should your Electronic Application be accepted or accepted in part only, by automatically crediting your bank account with the Participating Bank, by ordinary post at your risk, with the relevant amount within 14 Market Days after the close of the Offering, PROVIDED THAT the remittance in respect of such application which has been presented for payment or such other processes has been honoured and application monies received in the designated unit issue account.

(14) You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdown, fires, acts of God and other events beyond the control of the Participating Bank, the Manager, the Trustee and the Joint Lead Managers and Underwriters, and if, in any such event the Manager, the Trustee, the Joint Lead Managers and Underwriters and/or the Participating Bank do not receive your Electronic Application, or any data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against the Manager, the Trustee, the Joint Lead Managers and Underwriters and/or the Participating Bank for any Offer Units applied for or for any compensation, loss or damage.

(15) The existence of a trust will not be recognised. Any Electronic Application by a trustee must be made in his own name and without qualification. The Manager shall reject any application by any person acting as nominee except those made by approved nominee companies only.

(16) All your particulars in the records of the Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and the Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you must promptly notify the Participating Bank.

(17) You should ensure that your personal particulars as recorded by both CDP and the Participating Bank are correct and identical. Otherwise, your Electronic Application is liable to be rejected. You should promptly inform CDP of any change in address, failing which the notification letter on successful allocation will be sent to your address last registered with CDP.

(18) By making and completing an Electronic Application, you are deemed to have agreed that:

(a) in consideration of the Manager making available the Electronic Application facility, through the ATMs of the Participating Bank acting as agent of the Manager at the ATMs of the Participating Banks:

(i) your Electronic Application is irrevocable; and

(ii) your Electronic Application, the acceptance by the Manager and the contract resulting therefrom under the Offering shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(b) none of CDP, the Manager, the Joint Lead Managers and Underwriters and the Participating Bank shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to the Manager, the Trustee or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 14 above or to any cause beyond their respective controls;

(c) in respect of the Units for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of the Manager and not otherwise, notwithstanding any payment received by or on behalf of the Manager;

(d) you will not be entitled to exercise any remedy for rescission for misrepresentation at any time after acceptance of your application; and

(e) reliance is placed solely on information contained in this Prospectus and that none of the Manager, the Trustee, the Joint Lead Managers and Underwriters, and any other person involved in the Offering shall have any liability for any information not contained therein.

Steps for Electronic Applications

Instructions for Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an Electronic Application through ATMs of OCBC Bank are shown below. Certain words appearing on the screen are in abbreviated form (“a/c”, “appln”, “ESA”, “no.” and “&” refer to “account”, “application”, “electronic share application”, “number” and “and” respectively). Instructions for Electronic Applications appearing on the ATM screens of the other Participating Banks may differ from those represented below.

Step 1 : Insert your personal OCBC ATM card

2 : Enter your Personal Identification Number

3 : Select “Other Services”

4 : Select “Electronic Security Appln”

5 : Select “FIRSTR”

6 : For an applicant making an Electronic Application at the ATM for the first time

(a) For non-Singaporean

Press the “Yes” key if you are a permanent resident of Singapore, otherwise, press the “No” key.

(b) Enter your own Securities Account number (12 digits) eg. 168101234567 and press “Yes” key to confirm that the Securities Account number you have entered is correct.

7 : Check your particulars appearing on the screen and press the “Correct” key to confirm that your particulars are correct.

8 : Press the “Confirm” key to confirm that you have read the following messages:-

— **A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore, which assumes no responsibility for its contents**

— **The Prospectus is available at various Participating Banks**

9 : Press the “Confirm” key again to confirm that you have read the following messages:-

— **Anyone who intends to submit an application for these securities should read the Prospectus before submitting his/her application in the manner set out in the Prospectus**

10 : Press the “Confirm” key again to confirm that you have read the following messages:-

— **You have read, understood and agreed to all terms of application set out in the Prospectus**

— **You consent to the disclosure of your NRIC/Passport No., address, nationality, securities a/c no., qty of securities applied for and CPF investment a/c no. to share registrar, CDP, CPF, SCCS, Issuer & Vendors**

— **This application is made in your own name & at your own risk**

11 : Select the number of Shares you wish to apply for:-

— **For fixed price ESA, this is the only application submitted**

— **Fixed Price: $0.71**

12 : Select the type of bank account to debit your application monies

13 : Check the details of your application appearing on the screen and press the “Confirm” key to confirm your application

14 : For customers with multiple bank accounts, select the bank account from which to debit your application monies

Terms and Conditions for Use of CPF Funds

(1) If you are using CPF Funds to subscribe for the Units, you must have a CPF Investment Account maintained with the relevant CPF approved bank at the time of your application. If you are applying for the Units through an Electronic Application, you must have an ATM card with the Participating Bank at the time of your application before you can use the ATMs of the Participating Banks to apply for the Units. The CPF Investment Account is governed by the Central Provident Fund (Investment Schemes) Regulations, as amended.

(2) CPF Funds may only be withdrawn for applications for the Units in lots of 1,000 Units or integral multiples thereof.

(3) If you are applying for the Units using a printed Application Form and you are using CPF Funds to apply for the Units, you must submit a CPF Cashier's Order for the total amount payable for the number of Units applied for using CPF Funds.

(4) Before you apply for the Units using your CPF Funds, you must first make sure that you have sufficient funds in your CPF Investment Account to pay for the Units. You need not instruct the CPF Board to transfer your CPF Funds from your CPF Ordinary Account to your CPF Investment Account. If the balance in your CPF Investment Account is insufficient and you have sufficient investible CPF Funds in your CPF Ordinary Account, the relevant CPF approved bank with which you maintain your CPF Investment Account will automatically transfer the balance of the required amount from your CPF Ordinary Account to your CPF Investment Account immediately for you to use these funds to buy a CPF Cashier's Order from the relevant CPF approved bank in the case of an application by way of a printed Application Form or submit your application through the Participating Bank in the case of an application by way of an Electronic Application. The automatic transfer facility is available until the close of the Public Offer within the operating hours of the facility which are between 12 noon and 10.00 p.m. from Mondays to Saturdays, and between 12 noon and 5.00 p.m. on Sundays and public holidays.

(5) The special CPF securities sub-account of the nominee company of the relevant CPF approved bank (with whom you maintain a CPF Investment Account) maintained with CDP will be credited with the principal amount of the Units you subscribed for with CPF Funds.

(6) Where you are using CPF Funds, you cannot apply for the Units as nominee for any other person.

(7) All instructions or authorisations given by you in a printed Application Form or through an Electronic Application are irrevocable.

(8) CPF Investment Accounts may be opened with any branch of the relevant CPF approved bank.

(9) All information furnished by the CPF Board, the relevant CPF approved bank and the Participating Bank on your authorisation will be relied on as being true and correct.

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF PRESENT AND PAST PRINCIPAL DIRECTORSHIPS OF DIRECTORS AND EXECUTIVE OFFICERS

Directors of the Manager

(1) MR ALBERT SAYCHUAN CHEOK

Current Directorships

Asia Life (M) Bhd

Auric Pacific (M) Sdn. Bhd.

Auric Pacific Group Ltd.

AcrossAsia Limited

Bowsprit Capital Corporation Limited

Export & Industry Bank

Oriental Capital Assurance Sdn. Bhd.

Metal Reclamation Bhd.

Macau Chinese Bank

Hongkong Chinese Ltd.

Past Directorships (for a period of five years preceding 30 September 2006)

Hong Kong Monetary Authority

Bangkok Bank Berhad

Asia Commercial Bank (Hong Kong)

(2) MR CHAN KIN

Categorisation of Current Directorships by Function

Companies involving fund management services

Argyle Street Management Holdings Limited

Argyle Street Management Limited

Lippo ASM Investment Management Limited

Bowsprit Capital Corporation Limited

Companies functioning as funds (the "Funds")

ASM Asia Recovery (Master) Fund

ASM Asia Recovery Fund

ASM Hudson River Fund

Japan Opportunities Fund Limited

Companies functioning as corporate directors

Upkeep Assets Limited

Ali Shan Management Limited

ASM Advisors Limited

Companies in which the Funds invest in

ANR Holdings Limited

ASM Ventures Limited

Buildunited Limited

Cendant Group Limited

Categorisation of Past Directorships (for a period of five years preceding 30 September 2006) by Function

Companies involving fund management services

Pine Street Asset Management Corporation

Companies functioning as funds (the "Funds")

ASM Asia Recovery Fund (Holdings)

Companies functioning as corporate director

ASM Associates Limited

Companies in which the Funds invested in

Admiralty Station Management Limited

ASM Indonesia Fund

ASM Indonesia Limited

ASM Investments Limited

ASOF 1 Limited

Bangkok Partners Limited

Century Hope Group Limited

Excelworth Investments Limited

Fullerton Investment Management Limited

IndoPartners Limited

ISOF 1 Limited

ISOF 2 Limited

Econolodge Co. Limited

Golden Compact Limited

Guangdong Development Fund Limited

Happy Good Profits Limited

Hebei Shuangli Investment Consulting Co., Ltd

JRO Properties Limited

Peak Allied Group Limited

Siam Land Pte Land

Thai Property Ventures Limited

Tiger Vision International Limited

Transpac Industrial Holdings Limited

Other Directorships

Bangkok Mass Transit System Public Company Ltd

Jakarta Partners Asia Limited

Jakarta Partners Limited

Jonesnew Developments Limited

Saigon Partners Limited

Tivetshall Group Limited

Other Directorships

LAAP General Partner Limited

LAAP General Partner Holdings Limited

LAAP Investment Management Holdings Limited

(3) MR GOH TIAM LOCK

Current Directorships

Bowsprit Capital Corporation Limited

Lock Property Consultants Pte Ltd

Ee Hoe Hean Club

Past Directorships (for a period of five years preceding 30 September 2006)

Onoris Investments Pte Ltd

(4) MR MAG RAINER SILHAVY

Current Directorships

Bowsprit Capital Corporation Limited

Centrotrade Singapore Pte Ltd

Golden Decade International Limited

Extra Year Investments Limited

Export & Industry Bank, Manila

Past Directorships (for a period of five years preceding 30 September 2006)

PT. Lippobank, Indonesia

Swiss Asia Global

Chaffron Limited

(5) DATUK ROBERT CHUA TECK CHEW

Current Directorships

Excellent Family Lifestyle (S) Pte. Ltd.

EFL (Indo-China) Pte. Ltd.

EFL Edutech Pte. (S) Pte. Ltd.

EFL Educare Pte. (S) Ltd.

EFL Edusports (S) Pte. Ltd.

C.R. Development Pte. Ltd.

Chuas Investment Pte. Ltd.

Bowsprit Capital Corporation Limited

Past Directorships (for a period of five years preceding 30 September 2006)

Singapore Computer Systems Ltd.

Neptune Orient Lines Ltd.

IFS Capital Ltd. (formerly known as International Factors Singapore Ltd.)

Omni Industries Ltd.

A.C.E. Daikin (S) Pte. Ltd.

(6) DR RONNIE TAN

Current Directorships

- ***Under Auric Pacific Group Limited***

  Auric Pacific Group Limited (as an Executive Director)

  Auric Pacific Investment Holdings Pte Ltd (formally known as Auric Technology Holdings Pte Ltd)

  Auric Pacific Investment Pte Ltd (formally known as Auric Technology Enterprises Pte Ltd)

  Auric Pacific Fine Wines Pte Ltd (formally known as Auric Technology Ventures Pte Ltd)

  Priority Fusion Sdn Bhd

  Auric Asset Management Pte Ltd

  Auric Pacific Realty Pte. Ltd

  Auric Pacific Property Development Pte. Ltd

  Maxreal Property Investment Pte. Ltd.

  Tiverton Property Investment Pte. Ltd

  APG Strategic Investment Pte. Ltd.

  Food Junction Holdings Limited

  Grand Reward Limited

- ***Under Hongkong Chinese Ltd***

  Lippo Holding (S) Pte Ltd

  Lippo Realty (Singapore) Pte. Limited

  Greenix Limited

- ***Under Lippo China Resources Limited***

  Lippo Consortium Pte. Limited

  Lippo Group International Pte. Limited

- ***Under Lippo ASM Asia Property LP***

  Lippo Global Investments Pte. Limited

- ***Others***

  Allgreat Pte Ltd

  Sino Chemical Holdings Pte Ltd

  Greatville Pte. Ltd

  Bowsprit Capital Corporation Limited

Past Directorships (for a period of five years preceding 30 September 2006)

- ***Others***

  China Chemical Holdings Pte Ltd

  Auric Pacific Group Limited (as a Non-Executive Director)

Executive Officers of the Manager

(1) MR LO SHYE RU

Current Directorships

JR Bell Healthcare Pte. Ltd.

Past Directorships (for a period of five years preceding 30 September 2006)

Gleneagles CRC Thailand Co. Ltd

(2) MR CHAN SENG LEONG, JACKY

Current Directorships

N.A.

Past Directorships (for a period of five years preceding 30 September 2006)

Chesterton International Property Consultants Pte Ltd

(3) MR STEFANUS KURNIAWAN WONG

Current Directorships

N.A.

Past Directorships (for a period of five years preceding 30 September 2006)

N.A.

FIRST REAL ESTATE INVESTMENT TRUST

MANAGER

Bowsprit Capital Corporation Limited

78 Shenton Way, #22-01, Lippo Centre, Singapore 079120

JOINT LEAD MANAGERS AND UNDERWRITERS

Merrill Lynch (Singapore) Pte. Ltd.

1 Temasek Avenue

#28-01 Millenia Tower

Singapore 039192

Oversea-Chinese Banking Corporation Limited

65 Chulia Street

#29-02/04 OCBC Centre

Singapore 049513

FINANCIAL ADVISER TO THE SPONSOR

PT. Ciptadana Capital

Citra Graha 8th Floor

Jalan Jend. Gatot Subroto Kav 35-36

Jakarta 12950, Indonesia

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

Lim Associates (Pte) Ltd

10 Collyer Quay

#19-08 Ocean Building

Singapore 049315

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

21 Collyer Quay

#14-01 HSBC Building

Singapore 049320

LEGAL ADVISERS

Legal Adviser to the Offering, and to the Manager and the Sponsor

Allen & Gledhill

One Marina Boulevard #28-00

Singapore 018989

Legal Adviser to the Underwriters as to Singapore Law

Stamford Law Corporation

9 Raffles Place

#32-00 Republic Plaza

Singapore 048619

Legal Adviser to the Underwriters as to U.S. and English Law

Latham & Watkins LLP

80 Raffles Place

#14-20 UOB Plaza 2

Singapore 048624

Legal Adviser to the Manager and the Sponsor as to Indonesian Law

Makes & Partners Law Firm

Menara Batavia 7th Floor

Jl.K.H. Mas Mansyur Kav. 126

Jakarta 10220

Indonesia

Legal Adviser to the Underwriters as to Indonesian Law

Ery Yunasri & Partners

Graha Niaga 11th Floor

JI. Jenderal Sudirman Kav. 58

Jakarta 12190

Indonesia

Legal Adviser to the Trustee

Shook Lin & Bok

1 Robinson Road

#18-00 AIA Tower

Singapore 048542

INDEPENDENT REPORTING ACCOUNTANTS

RSM Chio Lim

18 Cross Street #09-01

Marsh & McLennan Centre

Singapore 048423

RSM Aryanto Amir Jusuf & Mawar (RSM AAJ Associates)

Plaza ABDA 10th Floor

Jl. Jend.Sudirman Kav.59

Jakarta 12190

Indonesia

INDEPENDENT SINGAPORE TAX ADVISER

Ernst & Young

10 Hoe Chiang Road

#18-00 Keppel Towers

Singapore 089315

INDEPENDENT INDONESIAN TAX ADVISER

PB & Co.

Menara Imperium 27th Floor

Jl. H.R. Rasuna Said Kav. 1

Jakarta 12980

Indonesia

INDEPENDENT VALUER TO THE MANAGER

Knight Frank / PT. Willson Properti Advisindo

Wisma Nugra Santana #17-03

Jl. Jend. Sudirman Kav. 7 – 8

Jakarta 10220, Indonesia

INDEPENDENT VALUER TO THE TRUSTEE

HVS International Singapore / PT. Artanila Permai

79 Anson Road

#11-05

Singapore 079906

INDEPENDENT HEALTHCARE INDUSTRY CONSULTANT

Frost & Sullivan

100 Beach Road

#29-01/11 Shaw Tower

Singapore 189702

FIRST REIT

FIRST REAL ESTATE INVESTMENT TRUST

Managed By:

Bowsprit Capital

BOWSPRIT CAPITAL CORPORATION LIMITED
78 Shenton Way, #22-01 Lippo Centre, Singapore 079120
Tel: (65) 6336 2262 Fax: (65) 6336 2272