



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

ANNOUNCEMENT

ACQUISITION OF PRIVATE LOT A0439900 TUAS VIEW LANE

1. INTRODUCTION

- 1.1 Bowsprit Capital Corporation Limited, as manager (the “**Manager**”) of First Real Estate Investment Trust (“**First REIT**”), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, as trustee of First REIT (the “**Trustee**”) has on 8 September 2008 entered into a conditional put and call option Agreement (the “**Option Agreement**”) with Tech-Link Storage Engineering Pte Ltd (the “**Vendor**”) for the acquisition of the property comprising the land known as Private Lot A0439900 at L0439900 Tuas View Lane, Singapore (the “**Land**”) together with a building (the “**Building**”) to be erected thereon by the Vendor (together, the “**Property**”).
- 1.2 Under the Option Agreement, the Trustee was granted an option to require the Vendor to sell and the Vendor was granted an option to require the Trustee to purchase the Property on terms and conditions (the “**Purchase Conditions**”) appended to the Option Agreement.
- 1.3 Based on information available to the Manager as at the date of this announcement, the Manager believes that the Vendor is not related to any director of the Manager or any controlling unitholder of First REIT.
- 1.4 The Manager is making this announcement because the acquisition of the Property would constitute a major transaction under Chapter 10 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”),

Merrill Lynch (Singapore) Pte. Ltd. and Oversea-Chinese Banking Corporation Ltd. were the joint lead managers and underwriters of the initial public offering of units in First REIT.

2. INFORMATION ON THE PROPERTY

2.1 The Land is located along Tuas View Lane, approximately 30 km from the City Centre at Collyer Quay. The immediate vicinity comprises mainly low-rise industrial developments, logistics developments and shipyards. The site is also within close proximity of the Tuas Biomedical Park developed by Jurong Town Corporation (JTC). The 183-hectre Tuas Biomedical Park I and 188-hectre Tuas Biomedical Park II are dedicated to manufacturing-related activities for pharmaceuticals, biologics, vaccine, medical devices and nutrition. Prominent healthcare multi-national companies located in the vicinity are MSD, Pfizer, Wyeth, Ciba Vision, GSK Biologicals, Novartis, Lonza Biologics and Abbott Nutritional.

Upon completion of construction, currently expected to be by 1st July 2009, the Property will comprise a 2-storey purpose built warehousing and distribution centre for pharmaceutical and nutritional products. It will be operated by a reputable global integrated logistics operator.

2.2 Below is a summary of the technical details of the Property:

Parameters	Description
Property Type and Use	2-storey purpose-built warehousing and distribution centre for pharmaceutical and nutritional products.
Master Plan Zoning (2003 Edition)	Business 2 (industrial)
Legal Description	Government Survey Lot 3604X Mukim No. MK 7
Land Area	21,737 sqm
Expected TOP Date	1st July 2009
Land Lease Tenure	30 years with effect from 1 st July 2008
Plot Ratio Utilized	1.0
Gross Floor Area	21,737 sqm – subject to final survey

2.3 Property Value

The Property was valued at S\$42 million as at 1st August 2008 in a valuation report dated 11th August 2008, prepared by Colliers International Consultancy and Valuation (Singapore) Pte. Ltd. on a completed basis in accordance with the instructions of the Manager.

3. PRINCIPAL TERMS OF THE ACQUISITION OF THE PROPERTY

3.1 Principal Terms of the Option Agreement

The principal terms of the Option Agreement are as follows:

3.1.1 Purchase to be on the Purchase Conditions

The Option Agreement provides for the sale and purchase of the Property on the Purchase Conditions in the event that the option is exercised. Upon exercise of the option, the Vendor and the Trustee will be deemed to have entered into a purchase agreement ("**Purchase Agreement**") in respect of the Property.

3.1.2 Construction of the Building

The Vendor shall construct the Building in accordance with the base plans and base specifications appended to the Option Agreement.

3.1.3 Purchase Price

The purchase price of S\$42 million (including the option fee of S\$210,000) (the "**Purchase Price**"), was based on the valuation conducted on the Property as at 1st August 2008 prepared by Colliers International Consultancy and Valuation (Singapore) Pte. Ltd. The Purchase Price is subject to price adjustment as set out in sub-paragraph 3.1.4 and will be paid in cash upon completion of the acquisition of the Property.

The option fee was paid by the Trustee upon execution of the Option Agreement on 8 September 2008. The option fee is wholly refundable, in the event that, among others, any of the Conditions Precedent is not met, but will otherwise be treated as part of the Purchase Price.

3.1.4 Valuation of the Property

Upon the completion of the construction of the Building, the Trustee shall appoint a property valuer to determine the market value of the Property (the "**Trustee's Market Valuation**"). In the event that the Trustee's Market Valuation is less than the Purchase Price, the Purchase Price shall be adjusted to an amount equal to the Trustee's Market Valuation. If the Vendor disagrees with the Trustee's Market Valuation, the Vendor may appoint its own property valuer to value the Property (the "**Vendor's Market Valuation**") in which event the Purchase Price shall be adjusted to an amount equal to the average of the Trustee's Market Valuation and the Vendor's Market Valuation (the "**Average Market Valuation**"). If

the Trustee's Market Valuation or Average Market Valuation is above the Purchase Price, there shall be no adjustment to the Purchase Price.

3.1.5 **Conditions Precedent**

The rights of the Trustee and Vendor to exercise respectively the call option and the put option depend upon, *inter alia*, the fulfilment of the conditions precedent, as provided in the Option Agreement (the "**Conditions Precedent**") unless any of the conditions precedent is waived by the relevant parties in writing as provided in the Option Agreement. Such conditions precedent include:-

- (a) JTC's approval to the sale of the Property to the Trustee;
- (b) JTC's approval to the lease, on completion of the acquisition, of the Property by the Trustee to the Vendor;
- (c) the approval of the unitholders of First REIT ("**Unitholders**") to the acquisition; and
- (d) the Gross Floor Area Certificate, the Qualified Person Sign-off (as defined in the Option Agreement) and the Temporary Occupation Permit having been obtained.

3.1.6 **Termination of the Option Agreement**

If any of the Conditions Precedent (other than those which have been waived as provided in the Option Agreement) is not fulfilled, the Option Agreement shall cease and determine and the Vendor shall refund the option fee (together with interest thereon, if any) to the Trustee and neither parties shall have any further claim against the other for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Option Agreement.

3.2 **Principal Terms of the Purchase Agreement**

The principal terms of the Purchase Agreement relating to the Property are as follows:

3.2.1 **Leaseback**

The Purchase Agreement provides that the Trustee will, on completion of the acquisition of the Property, grant a lease of the Property to the Vendor (the "**Tenant**") subject to and on the terms of the lease agreement (the "**Lease**") in the form annexed to the Purchase Agreement. The Lease provides for, among others:

- (a) a lease term of 6 years at an annual commencement triple net rental income of S\$3,230,000 per annum, subject to adjustment where there is an adjustment of the Purchase Price as set out in sub-paragraph 3.1.4;
- (b) annual step up rental increases in the subsequent years up to a period of 6 years;
- (c) an option for the Tenant to renew the Lease for a further term of 7 years subject to the consent of JTC and on such conditions as may be agreed between the Tenant and the Trustee before the expiry of the 6-year term; and
- (d) the Tenant is liable for the payment of land rent, property tax, utilities, insurance, etc and generally responsible for the maintenance and repairs of the Property.

3.2.2 Extension of Head Lease Term by JTC

The Purchase Agreement provides that in the event that within 5 years of the lease term, the Vendor procures JTC to issue to the Trustee a letter of offer (the “**Extension Letter of Offer**”) granting the Trustee a further leasehold term of 30 years to the Property on terms and conditions satisfactory and acceptable to the Trustee, the Trustee shall pay to the Vendor a sum of \$4,500,000 in exchange for the Extension Letter of Offer.

3.2.3 Completion Date

The acquisition of the Property is expected to be completed by 1st October 2009, subject to the fulfilment of the respective conditions precedent.

4. ACQUISITION COST

The total acquisition cost for the Property is approximately S\$42.84 million which comprises the Purchase Price of S\$42 million (assuming that there is no subsequent adjustment to the Purchase Price as described under sub-paragraph 3.14) and other fees and expenses (including the acquisition fee payable to the Manager and professional fees) of approximately S\$0.84 million incurred or to be incurred by First REIT in connection with the acquisition of the Property.

5. RATIONALE AND BENEFITS OF THE ACQUISITION OF THE PROPERTY

The Manager believes that the acquisition of the Property will bring the following benefits to Unitholders:

5.1 The Acquisition is in line with the Manager's Investment Strategy

First REIT is mandated to invest in and own income-producing real estate and/or real estate-related assets that are primarily used for healthcare and healthcare-related purposes. The acquisition is consistent with the Manager's growth strategy of acquiring quality properties in the healthcare and healthcare-related industry that meet its investment criteria.

The Manager believes that the Property will add growth and enhance value of First REIT's property portfolio. It is expected that the Property will be accretive to First REIT's distributable income and the net profits attributable to the Property is expected to be accretive to distribution per unit ("DPU").

5.2 Income Diversification and Enlargement of Asset Portfolio

The acquisition of the Property will enlarge First REIT's existing property portfolio. Additionally, it will improve income diversification by reducing the reliance of First REIT's income stream on any single-type of property or country. As the use of the Property primarily supports the pharmaceutical and nutritional products industry, it offers further diversification from the other primary healthcare uses such as hospitals, medical centres and nursing homes in First REIT's existing portfolio. The Manager believes this will enhance returns to Unitholders.

6. METHOD OF FINANCING AND FINANCIAL EFFECTS OF THE ACQUISITION OF THE PROPERTY

6.1 First REIT intends to fund the acquisition through debt. Based on 100% debt financing, First REIT's gearing as at 30 June 2008 will increase from 15.6% to 25.4% on the assumption that acquisition of the Property is completed by 1st October 2009.

6.2 Based on the annualised DPU of 7.62 cents as announced in the 2nd Quarter 2008 results, the acquisition will give rise to an incremental annualised DPU of 0.33 cent or 4.33%. The Net Asset Value per unit will increase from 92.3 cents as at 30 June 2008 to 92.5 cents after the acquisition.

7. MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL

7.1 Chapter 10 of the Listing Manual (the “**Listing Manual**”) of the SGX-ST classifies transactions into (i) non-discloseable transactions, (ii) discloseable transactions, (iii) major transactions, and (iv) very substantial acquisitions or reverse takeovers, depending on the size of the relative figures computed on, among others, the following bases:-

- (a) the net profits attributable to the assets acquired or disposed of, compared with First REIT’s net profits;
- (b) the aggregate value of the consideration given, compared with First REIT’s market capitalisation; and
- (c) the number of units in First REIT (“**Units**”) issued by First REIT as consideration for each transaction, compared with the number of Units previously in issue.

7.2. Based on First REIT’s net profits (excluding gain and tax on revaluation of the investment properties) of S\$18,516,000 for the financial year ended 2007 and the net profits of S\$905,000 attributable to the acquisition of the Property, the relative figure for the basis of comparison set out in sub-paragraph 6.1(a) is 4.89%.

7.3 Based on the Purchase Price of S\$42 million for the Property and First REIT’s market capitalisation of S\$188.43 million as at 5 September 2008, the relative figure for the basis of comparison set out in sub-paragraph 6.1(b) is 22.29%. As the relative figure exceeds 20%, the acquisition constitutes a “major transaction” under Chapter 10 of the Listing Manual and is subject to Unitholders’ approval. The Manager will be convening a meeting of Unitholders to seek Unitholders’ approval for the proposed acquisition.

7.4 The relative figure for the basis of comparison set out in sub-paragraph 6.1(c) does not apply to the acquisition of the Property.

8. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

Based on information available to the Manager as at the date of this Announcement, none of the directors of the Manager or the substantial Unitholders¹ have an interest, direct or indirect, in the acquisition of the Property.

¹ A person with an interest in one or more Units constituting not less than 5.0% of all outstanding Units.

9. OTHER INFORMATION

9.1 Director's Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the acquisition of the Property or any other transaction contemplated in relation to the acquisition of any of the Property.

9.2 Documents For Inspection

Copies of the following documents are available for inspection during normal business hours (prior appointment will be appreciated) at the registered office of the Manager located at 1 Phillip Street #15-00, Singapore 048692 for a period of 3 months commencing from the date of this Announcement:-

- (i) the Option Agreement;
- (ii) the form of the Purchase Agreement (as appended to the Option Agreement);
- (iii) the form of the Lease (as appended to the Purchase Agreement) and
- (iv) the valuation report on the Property dated 11th August 2008 prepared by Colliers International Consultancy and Valuation (Singapore) Pte. Ltd.

By Order of the Board

Dr Ronnie Tan
Chief Executive Officer
Bowsprit Capital Corporation Limited
Manager of First Real Estate Investment Trust

8 September 2008

Important Notice

The value of Units and the income from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in these forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.