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## **First REIT's 2011 distribution yield expected to increase to 9.14% following acquisition of two Jakarta hospitals**

**SINGAPORE – 10 November 2010** –Bowsprit Capital Corporation Limited, the manager of First Real Estate Investment Trust (“**First REIT**” and as manager of First REIT, the “**Manager**”), Singapore’s first healthcare real estate investment trust, announced today that First REIT’s distribution in projection year 2011 is expected to rise from 8.57%<sup>1</sup> to 9.14%<sup>2</sup> following the acquisition of two new healthcare properties in Indonesia – The Mochtar Riady Comprehensive Cancer Centre (“**MRCCC**”) and Siloam Hospitals Lippo Cikarang (“**SHLC**”, and the acquisitions of MRCCC and SHLC, the “**Acquisitions**”).

This is based on a forecast annualised distribution per Unit (“**DPU**”) of 6.40 Singapore cents for the full financial year ending 31 December 2011 (the “**Projection Year 2011**”), in relation to its enlarged portfolio and financing through a combination of the underwritten renounceable rights issue (the “**Rights Issue**”) of 345,664,382 new Units<sup>3</sup> (the “**Rights Units**”) at an issue price of S\$0.50 per Rights Unit and bank loan.

Apart from the upside in yield, the Manager also expects to see an increase in annual gross rental income of approximately 80%, from S\$30.3 million in forecast year 2010 to S\$54.5 million in projection year 2011 as a result of its enlarged portfolio. On the same basis, distributable income is also expected to increase by 89% from S\$21.3 million to S\$40.3 million.

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<sup>1</sup> Distribution yield before the Transactions (as defined herein) is calculated based on the Closing Price of S\$0.95 per Unit as at 4 November 2010.

<sup>2</sup> Distribution yield after the Transactions is based on the TERP of S\$0.70 per Unit.

<sup>3</sup> “**Unit**” refers to a unit in First REIT.

Upon completion of the Acquisitions, First REIT's aggregate leverage will also be lowered from 18.60% to 17.25% for the Projection Year 2011. Accordingly, First REIT's statement of financial position will be strengthened, leaving sufficient capability for debt financing should the need for such financing arises in the future.

“Through these acquisitions, we will be able to deliver long-term value and returns to our unitholders by way of an improved distribution yield. This is testament to our sound acquisition strategies whereby we are constantly looking out for yield-accretive healthcare related properties, and we will continue to embark actively on such acquisitions whenever opportunities are available,” said Dr Ronnie Tan, CEO of Bowsprit.

Based on a proforma capitalisation of First REIT as at 31 December 2009, as if First REIT had purchased MRCCC and SHLC (the “**Properties**”) and completed the Rights Issue on 31 December 2009, First REIT's total capitalisation would have stood at S\$565.9 million as compared to its actual capitalisation of S\$323.3 million.

### *The Acquisitions*

MRCCC, which will begin operations in December 2010, is Indonesia's first private comprehensive cancer treatment centre equipped with state of the art cancer treatment and diagnostic facilities. SHLC, which began operations in 2002, is a six-storey hospital (with a basement and a covered roof space) and will accommodate 75 beds by the end of 2010.

MRCCC will be acquired from Wincatch Limited, an unrelated third party, for S\$170.5 million, and SHLC will be acquired from the sponsor of First REIT, PT Lippo Karawaci Tbk (“**Lippo**”), for S\$35.0 million. The respective purchase prices of MRCCC and SHLC represent an attractive discount of 19.7% and 13.8% respectively to the average of the Properties' latest independent valuations.

The Acquisitions will increase the value of First REIT's portfolio by 74.3% to S\$603.4 million. The total gross floor area of the enlarged portfolio will increase by 58.7% from 83,638.2 sqm to 132,696.2 sqm. The total number of hospital beds in relation to First REIT's Indonesia portfolio will increase by 43.8% from 537 to 772.

On completion of the Acquisitions, the conditional master lease agreements entered into with Lippo in relation to the Properties will commence for a 15 year lease term (with an option to renew for a further term of 15 years, subject to the renewal of the Properties' HGB<sup>4</sup> titles).

Rental income of both Properties comprise a base rent component which is payable quarterly in advance, and subject to a stepped up increase every year thereafter at a rate equal to 2 times of the percentage increase of Singapore's Consumer Price Index for the preceding calendar year; as well as a variable rent component<sup>5</sup>.

***Key benefits of the Acquisitions***

The Manager believes that the Acquisitions and the Rights Issue (collectively, the “**Transactions**”) will bring, among others, the following key benefits to the unitholders:

- (i) opportunity to purchase attractive and high quality properties at prices below valuation;
- (ii) increased income stability of First REIT through the MRCCC master lease agreement and the SHLC master lease agreement and increase in First REIT's weighted average lease to expiry;
- (iii) unique opportunity to acquire two quality hospitals in Jakarta, Indonesia;
- (iv) increased absolute size of First REIT's asset base which may raise the profile of First REIT among global investors and increased portfolio size enhances First REIT's competitive positioning and ability to pursue future acquisitions;
- (v) increased market capitalisation and potential increased liquidity through the Rights Issue;
- (vi) yield accretive acquisitions with expected increase in distribution yield to unitholders for Projection Year 2011;
- (vii) the Acquisitions would enable First REIT to grow through the acquisition of a portfolio of hospitals which enhances the diversification of First REIT's portfolio across locations and medical specialisations; and
- (viii) increase in attractiveness of the enlarged portfolio given the reduction in the weighted average age of the Properties in the enlarged portfolio after the completion of the Acquisitions.

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<sup>4</sup> In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of 'leasehold' title.

<sup>5</sup> No variable rent is payable in year 1. Variable rent in years 2 – 4 is at a percentage of the audited gross revenue growth in the preceding financial year of MRCCC and SHLC respectively. Variable rent from year 5 onwards is based on the aggregate gross revenue growth of MRCCC and SHLC in the preceding financial year.

***The Rights Issue and Debt Financing***

The acquisition of MRCCC and related transaction costs will be funded in cash through a combination of the net proceeds from the Rights Issue and partially through a new term loan facility of up to S\$50.0 million from Oversea-Chinese Banking Corporation Limited. The acquisition of SHLC and related transaction costs will be fully financed in cash from the proceeds raised from the Rights Issue.

The Manager intends to raise approximately S\$172.8 million in gross proceeds through the Rights Issue to eligible unitholders, on a pro rata basis of five (5) Rights Units for every four (4) existing Units, at the Issue Price of S\$0.50 per Unit (fractional entitlements to be disregarded). Oversea-Chinese Banking Corporation Limited and Credit Suisse (Singapore) Limited are the joint lead managers and underwriters for the Rights Issue.

***Moving Ahead***

First REIT will be looking to achieve a portfolio size of S\$1 billion in the next two to three years. The Manager will continue to look for other yield-accretive assets in Singapore and Indonesia, as well as the rest of the Asia Pacific region.

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### ***About First REIT***

*First REIT is Singapore's first healthcare real estate investment trust that aims 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.*

*Managed by Bowsprit Capital Corporation Limited, First REIT's portfolio consists of a total of eight properties (the "Existing Portfolio") with four properties located in Indonesia, namely 1) Siloam Hospitals Lippo Village, 2) Siloam Hospitals Kebon Jeruk, 3) Siloam Hospitals Surabaya, and 4) Imperial Aryaduta Hotel & Country Club, and four properties located in Singapore, namely 1) Pacific Healthcare Nursing Home @ Bukit Merah, 2) Pacific Healthcare Nursing Home II @ Bukit Panjang, 3) The Lentor Residence and 4) Pacific Cancer Centre @ Adam Road. Upon completion of the acquisition of Mochtar Riady Comprehensive Cancer Centre and Siloam Hospital Lippo Cikarang, First REIT will have 10 properties in its portfolio.*

*Its Indonesian assets are operated by PT Siloam International Hospitals, a wholly-owned subsidiary of PT Lippo Karawaci Tbk, a strong brand name in the Indonesian healthcare industry supported by a team of international healthcare professionals. In Singapore, the nursing homes at Bukit Merah and Bukit Panjang are operated by Pacific Healthcare Nursing Home Pte. Ltd. and Pacific Eldercare and Nursing Pte. Ltd. respectively. Both operators are companies in which Pacific Healthcare Holdings Limited have substantial interest. The Lentor Residence is operated by First Lentor Residence Pte. Ltd. while Pacific Cancer Centre @ Adam Road is operated by Health Promise Pte. Ltd.*

*Through First REIT, investors can participate in an asset class that has a focus on Asia's growing healthcare sector, which is boosted by an increase in life expectancy in Indonesia and the rest of Southeast Asia.*

### **Important Notice**

The value of Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

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