



10 Years
**21% Ave Total
Returns per Year**
395% AUM Growth
8.47¢ Record DPU

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10 years on since the listing of First REIT in 2006, the Trust has crossed several milestones which include delivering a total annualised return of 21% since IPO, increasing asset base by 395% to S\$1.27 billion and achieving a record DPU of 8.47c in 2016. Going forward, it will continue to strengthen its asset size and enhance the value of existing assets to maximise returns to Unitholders.

ANNUAL REPORT
2006-2016

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Corporate Profile



First REIT is Singapore's first healthcare real estate investment trust, focused on investing in diverse yield-accretive healthcare and healthcare-related real estate assets throughout Asia. Using well-developed strategies, First REIT harnesses exclusive investment opportunities in this resilient asset class to generate attractive and stable returns.

Managed by Bowsprit Capital Corporation Limited, the Trust has a current asset portfolio of 18 properties across Asia, with a total asset value of S\$1.27 billion. These include 14 properties in Indonesia comprising hospitals, an integrated hospital & mall, an integrated hospital & hotel and a hotel & country club, as well as three nursing homes in Singapore and one hospital in South Korea.

In Indonesia, the underlying healthcare properties are operated by PT Siloam International Hospitals Tbk. ("**Siloam**"), Indonesia's most progressive and innovative healthcare provider, which was successfully listed on the Indonesia Stock Exchange on 12 September 2013. Siloam is also a subsidiary of PT Lippo Karawaci Tbk ("**Lippo Karawaci**"), First REIT's Sponsor, which has a strong pipeline of 43 hospitals to which First REIT has the right-of-first-refusal for the purpose of acquisition.

S\$1.27 billion
Total Assets-Under-Management

314,311 sqm
Total GFA of Properties

100%
Total Committed Occupancy

4,712
Total No. of Beds / Saleable Rooms

10.0 years
Weighted Average Lease Expiry

100.79 S¢
Net Asset Value per Unit

At a Glance



Blue-chip Sponsor with Strong Pipeline

- Our Sponsor, Lippo Karawaci, Indonesia's largest property group, has a strong pipeline of 43 healthcare properties
- First REIT has the right-of-first-refusal to Lippo Karawaci's healthcare properties

Diversified Portfolio of 18 Properties Valued at S\$1.27 billion

- Indonesia: 11 hospitals, 1 integrated hospital & mall, 1 integrated hospital & hotel and 1 hotel & country club
- Singapore: 3 nursing homes
- South Korea: 1 hospital

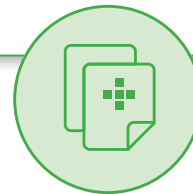


High Quality Healthcare Properties

- Indonesia hospitals are strategically located within large catchment areas of potential patients and each has a "Centre of Excellence"
- Singapore properties are well-run nursing homes staffed by well-qualified, dedicated and experienced healthcare professionals
- Sarang Hospital is centrally located and is one of the largest rehabilitation treatment and nursing services facilities in Yeosu City in South Korea

Triple-net Leases

- Leases for Singapore properties are denominated in SGD and Indonesia properties' rentals are pegged to SGD to mitigate forex volatility
- Lease for South Korea property is denominated in USD
- Master Lessees bear all operating costs relating to the properties including maintenance, insurance and certain taxes



Stable and Strong Distribution Model

- Stable cash distributions and committed to distribute 100% of taxable income

Well-defined Acquisition Strategy

- Focused on growing portfolio by acquiring yield-accretive properties in the healthcare and healthcare-related industry across Asia

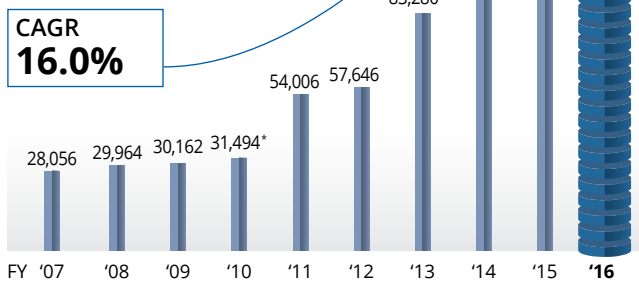


Financial Highlights

Gross Revenue (S\$'000)

S\$107,017

FY 2016

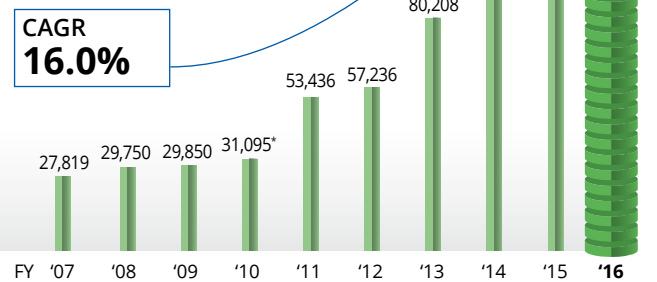


* Includes deferred rental income from Adam Road property as at 31 December 2010, which was divested on 25 March 2011

Net Property Income (S\$'000)

S\$105,835

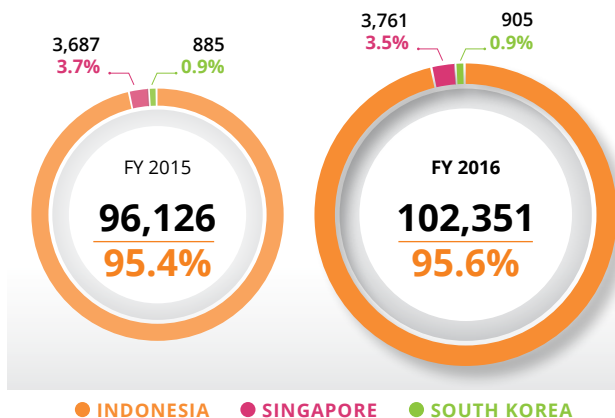
FY 2016



* Includes deferred rental income from Adam Road property as at 31 December 2010, which was divested on 25 March 2011

Rental Income

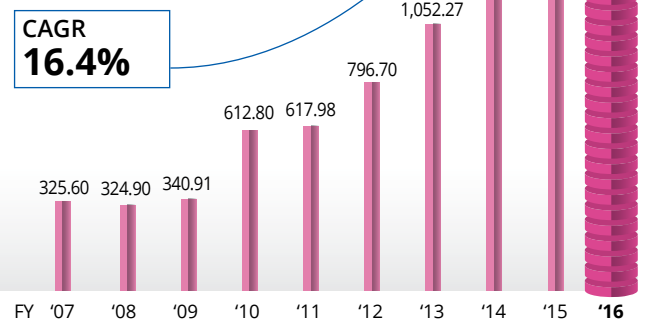
Breakdown by Geography (S\$'000)



Assets-Under-Management (S\$'million)

S\$1,273.16

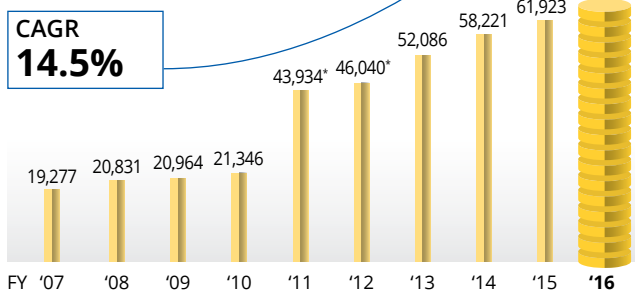
FY 2016



Distributable Amount (S\$'000)

S\$65,248

FY 2016

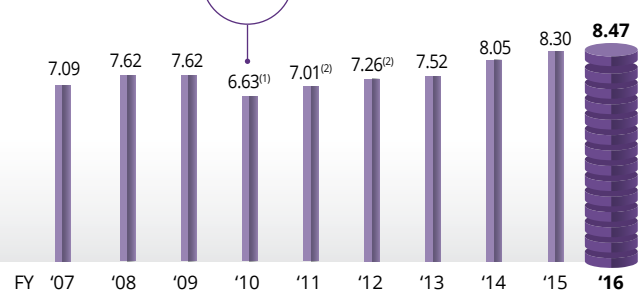


* Including other gain distribution

Distribution per Unit (S\$'cents)

8.47S¢

FY 2016



⁽¹⁾ Based on enlarged share base as a result of rights issue

⁽²⁾ Including other gain distribution

Financial Highlights

Balance Sheet

In S\$'000	As at 31 Dec 2016	As at 31 Dec 2015
Total Assets	1,341,175	1,315,162
Total Liabilities	502,596	524,061
Unitholders' Funds	777,701	791,101
NAV Per Unit	100.79¢	103.88¢

Gearing

	As at 31 Dec 2016	As at 31 Dec 2015
Total Debt*	S\$417.0 million	S\$447.6 million
Interest Cover	5.2 times	5.2 times
Debt-to-Property	31.1%	34.0%

* Before transaction costs

Earnings Per Unit

	As at 31 Dec 2016	As at 31 Dec 2015
Earnings Per Unit	5.04¢	9.10¢
Number of Units	771,579,482	761,567,027
Weighted Average No. of Units	767,874,301	744,925,432

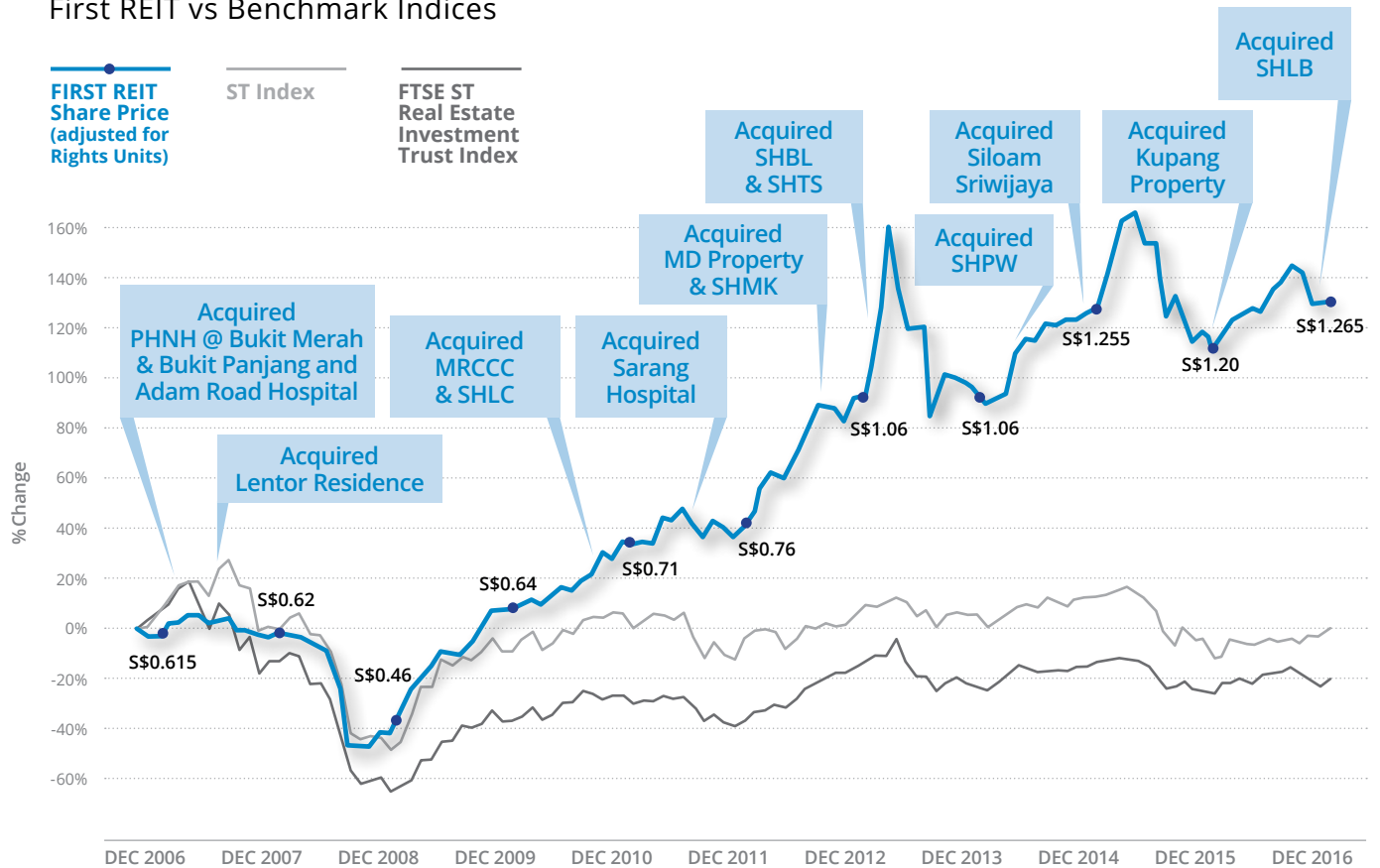
Rental Income

Tenant	%
PT Lippo Karawaci Tbk	78.43
PT East Jakarta Medika (Subsidiary of PT Lippo Karawaci Tbk)	3.90
PT Metropolis Propertindo Utama	13.31
The Lentor Residence Pte. Ltd.	1.49
Pacific Healthcare Nursing Home Pte. Ltd.	1.02
Pacific Eldercare and Nursing Pte. Ltd.	1.00
Dr. Park Ki Ju	0.85

Financial Highlights

Share Price Performance

First REIT vs Benchmark Indices



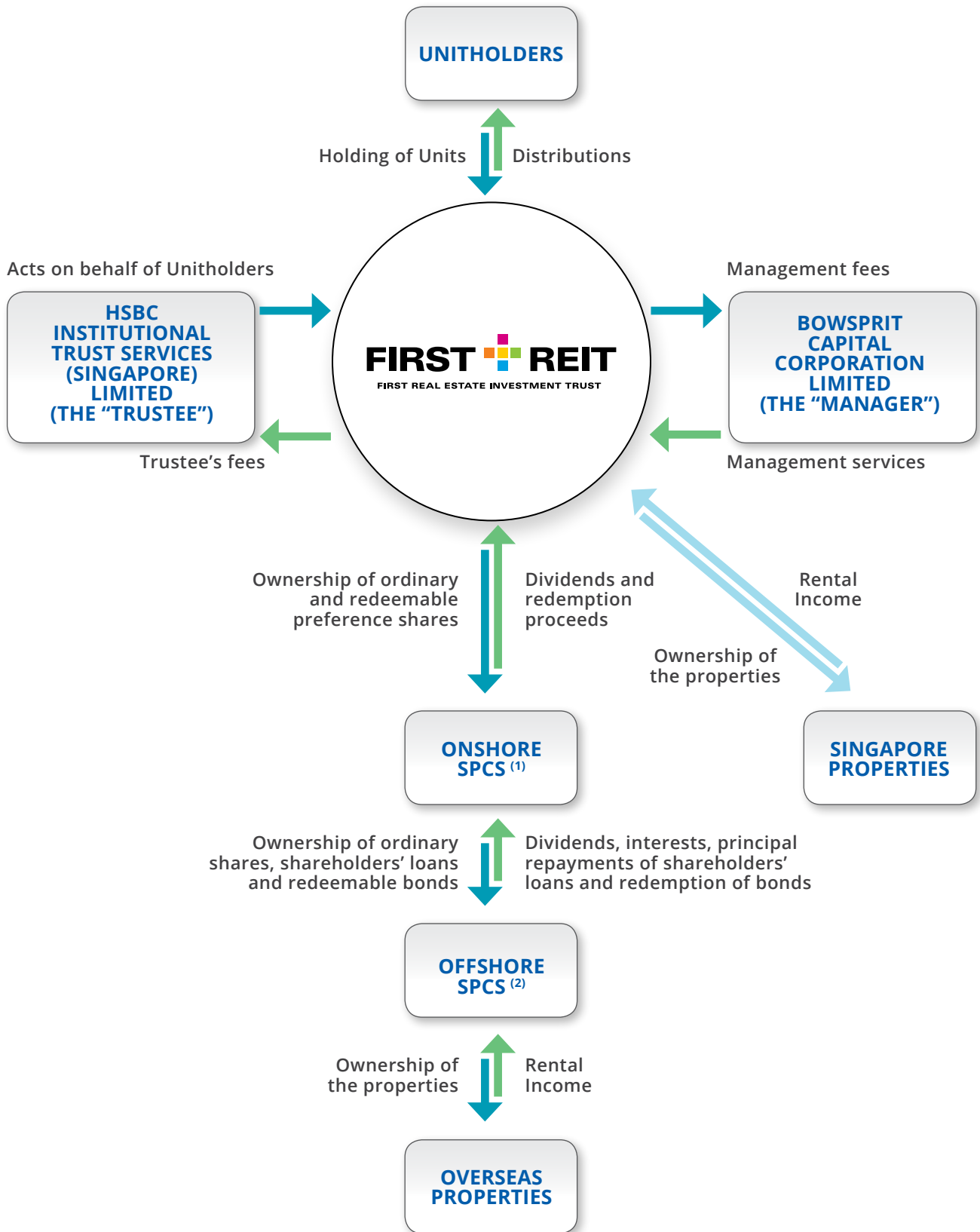
Unit Price Performance

	2016
IPO Offering Price (Dec 2006)	S\$0.710
As at last trading day of the year	S\$1.265
Highest	S\$1.390
Lowest	S\$1.150
Trading Volume (million units)	85.376

As at 31 December 2016

Number of Units in Issue	771,579,482
Market Capitalisation	S\$976.05 million

Trust Structure



⁽¹⁾ Onshore SPCs refer to Singapore Special Purpose Companies

⁽²⁾ Offshore SPCs refer to Overseas Special Purpose Companies

Corporate Information

MANAGER

Bowsprit Capital Corporation Limited

REGISTERED OFFICE

50 Collyer Quay
#06-01 OUE Bayfront
Singapore 049321
Tel: (65) 6435 0168
Fax: (65) 6435 0167

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

21 Collyer Quay
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Singapore 049320
Fax: (65) 6534 5526

Website Address

www.first-reit.com

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

INDEPENDENT AUDITORS

RSM Chio Lim LLP

8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095
Audit Partner-in-Charge: Mr Lock Chee Wee
Appointed from financial year 2014

RSM Indonesia

Plaza ABDA, 10th Floor
Jl. Jend. Sudirman Kav. 59
Jakarta 12190, Indonesia

**Shinhan Accounting Corporation
(Member of RSM International)**

6th Fl., Il-Heung Building
126-1 ChungMuRo 4ka,
Chung-Ku, Seoul, South Korea

INDEPENDENT SINGAPORE TAX ADVISER

Ernst & Young LLP

One Raffles Quay, North Tower
Level 18
Singapore 048583

INDEPENDENT INDONESIAN ACCOUNTING AND TAX ADVISER

PT Artha Jasakonsulindo

Samudara Indonesia Building, 3rd Floor
Jl. Letjen. S. Parman Kav. 35
Jakarta 11480, Indonesia

INDEPENDENT SOUTH KOREA ACCOUNTING AND TAX ADVISER

**Shinhan Accounting Corporation
(Member of RSM International)**

6th Fl., Il-Heung Building
126-1 ChungMuRo 4ka
Chung-Ku, Seoul, South Korea

INVESTOR RELATIONS

August Consulting

101 Thomson Road
#30-02 United Square
Singapore 307591
ir@first-reit.com

DIRECTORS OF THE MANAGER

Mr Albert Saychuan Cheok

Independent Director and Chairman

Mr Goh Tiam Lock

Independent Director

Mr Ketut Budi Wijaya

Non-Executive Director

Mr Wong Gang

Independent Director

Dr Ronnie Tan Keh Poo

Executive Director and Chief Executive Officer

AUDIT COMMITTEE

Mr Albert Saychuan Cheok (Chairman)

Mr Goh Tiam Lock

Mr Wong Gang

NOMINATING & REMUNERATION COMMITTEE

Mr Wong Gang (Chairman)

Mr Albert Saychuan Cheok

Mr Ketut Budi Wijaya

COMPANY SECRETARIES OF THE MANAGER

Ms Susie Low Geok Eng

Mr Victor Lai Kuan Loong

Chairman's Message



Dear Unitholders

2016 has proven to be another landmark year for First REIT as it celebrated its 10th Year Anniversary since IPO. In the last decade, the Trust's resilient business model and successful growth strategies have yielded consistent growth and delivered increasing value to Unitholders. This is underscored by our proven track record - delivering an average total returns per year of 21%, bolstering asset base by 395% to S\$1.27 billion and achieving a record annualised distribution per unit of 8.47 Singapore cents for 2016.

Since listing, the Manager has never lost sight on what it set out to achieve - deliver regular and stable distributions to Unitholders, achieve long-term growth in the value of its portfolio, and to provide Unitholders with capital appreciation on their investments.

We have remained steadfast in the pursuit of our objectives and delivered on all fronts. The Trust has made significant progress in expanding our asset size with at least one yield-accretive acquisition a year. Our portfolio has expanded from four properties in Indonesia with assets-under-management ("AUM") of S\$257.0 million, to 18 properties in Indonesia, Singapore and South Korea with an AUM of S\$1.27 billion as at 31 December 2016.

The stable income stream from the assets has translated to increasing returns to Unitholders. Additionally, with active asset enhancement initiatives ("AEI"), the latest being the ongoing development works by our Sponsor Lippo Karawaci to develop the New Siloam Hospitals Surabaya, the Manager will continue striving to maximise the value of our existing assets.

OUTLOOK

The past year was shrouded in political uncertainty while the slowing global economy, coupled with the U.S. Federal Reserve raising interest rates for the second consecutive December point towards an increasingly challenging economic climate.

Closer to home, Indonesia's economy grew 5.02% in 2016, an improvement from 4.88% in 2015¹. Despite headwinds from global uncertainty, Indonesia's economy is expected to pick up this year, with the International Monetary Fund forecasting a 5.1% growth².

The country's healthcare sector also remains robust with the expansion of the number of Indonesians covered under the national health insurance scheme, Jaminan Kesehatan Nasional ("JKN"). Also, the introduction of the coordination of benefit scheme, which allows more affluent Indonesian patients to supplement coverage under the JKN with private health insurance, has lent further weight to the role private healthcare spending plays within the growing healthcare sector.

Going forward, the Trust will continue to harness its growth formulae and keep an active lookout for yield-accretive assets to further strengthen its portfolio. This will be supported by the active expansion of Lippo Karawaci's footprint in Indonesia, where it currently has a sizable pipeline of 43 hospitals to which First REIT has the right-of-first-refusal to acquire.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank our Unitholders for joining us at our 10th year mark and your continued confidence in First REIT. We look forward to delivering another rewarding year.

My gratitude also goes out to my fellow Board of Directors, management team and staff for your unwavering dedication. To our Sponsor, business partners, bankers and tenants, we would like to thank you for your strong support.

Mr Albert Saychuan Cheok
Chairman

Bowsprit Capital Corporation Limited
As Manager of First REIT

¹ The Straits Times, 7 February 2017, Indonesia's GDP growth slows to 4.9% in Q4

² International Monetary Fund, 3 February 2017, Indonesia: Resilient Economy Can Benefit from Stronger Reforms, <http://www.imf.org/en/News/Articles/2017/02/03/NA020317-Indonesia-Resilient-Economy-Can-Benefit-from-Stronger-Reforms>

CEO's Message

Dear Unitholders

DELIVERING STRONG PERFORMANCE

I am proud to present another healthy report card for the financial year ended 31 December 2016 ("FY 2016"). Not only has First REIT delivered consistent growth over the last decade, we also marked our 10th Year Anniversary with the highest ever annualised distribution per unit ("DPU") of 8.47 Singapore cents for 2016. This was a gain of 2.0% from the preceding year and based on share price of S\$1.265, the Trust has maintained an attractive distribution yield of 6.7%.

Correspondingly, distributable income to Unitholders rose 5.4% year-on-year to S\$65.2 million on the back of gross revenue and net property income increasing 6.3% and 6.6% to S\$107.0 million and S\$105.8 million respectively. The growth was buoyed by the full-year contribution from the Kupang Property (comprising Siloam Hospitals Kupang & Lippo Plaza Kupang) acquired in December 2015.



FORTIFYING CONTINUOUS GROWTH

Embarking on the next decade of growth, First REIT will reinforce its well-tested key strategic pillars – acquiring yield-accretive and quality assets, maximising the value of existing assets and executing prudent capital management.

In FY 2016, the Trust continued to boost its footprint and position to tap on the growing healthcare market in Indonesia, with the acquisition of Siloam Hospitals Labuan Bajo ("SHLB"). Located in the East Nusa Tenggara province of Indonesia and acquired in late December, SHLB is a newly built stand-alone hospital situated within Labuan Bajo, the capital of West Manggarai Regency.

Operational since January 2016, the hospital has a modern and well-equipped facility spanning three storeys with a total gross floor area of 7,604 square metres, a maximum capacity of 153 beds and a Centre of Excellence for Emergency Medicine, Internal Medicine and Neuroscience.

Once a fishing village, Labuan Bajo is now a bustling tourism centre known for its popular dive sites and being a gateway to the famous Komodo National Park. Being the only hospital currently operating in the West Manggarai Regency, SHLB is able to leverage its first-mover advantage to capitalise on the rising demand for quality healthcare from the local residents and growing tourism market.

At an initial annual base rent of S\$1.85 million, the property offers an attractive initial rental yield of 9.25%. Adding this latest acquisition to its fold, the Trust concluded FY 2016 with an expanded portfolio of 18 properties and assets-under-management of S\$1.27 billion.

During the year, the Trust announced its intention to jointly acquire an integrated development, comprising a hospital and a retail mall, in Yogyakarta, Indonesia, with Lippo Malls Indonesia Retail Trust ("LMIR Trust"). However, First REIT and LMIR Trust have mutually agreed to terminate the conditional

CEO's Message

Siloam
Hospitals
Labuan
Bajo

Appraised Value
S\$20.6
million

Rental Yield
9.25%



sale and purchase agreement in January 2017, to provide more time for the vendor to obtain the relevant licenses for the operation of the hospital as well as to carry out asset enhancement works for the retail mall. Both parties intend to continue with the transaction on mutually agreeable terms upon approval of all relevant licenses (expected to be in the later part of 2017) and after the asset enhancement works.

Indonesia will remain our key focal market for growth and we will continue to look for opportunities in this market to expand our portfolio, especially with the healthy pipeline of over 40 hospitals from our Sponsor, Lippo Karawaci.

In line with our strategic pillar of maximising the value of existing properties, the Trust has commenced on our second AEI with Siloam Hospitals Surabaya ("SHS") in 2015. In March 2016, we successfully completed the divestment of an empty plot of land adjacent to SHS in relation to the AEI works, which is progressing in phases with expected completion of the new SHS in 2019.

AMPLE DEBT HEADROOM TO FUND GROWTH

In FY 2016, the Trust diversified its source of funding with the issuance of the S\$60 million subordinated perpetual securities with a fixed distribution rate of 5.68% per annum for the first five years. Its distribution reinvestment plan implemented since FY 2014 continues to register a take up rate of between 20% to 30%,

raising an average of approximately S\$12 million a year for the Trust.

With prudent capital management, First REIT has managed to lower its gearing to 31.1% as at 31 December 2016 compared to 34.0% a year ago, providing ample debt headroom for acquisitions. Furthermore, to mitigate rising interest rates, 92.3% of the Trust's borrowings are on a fixed rate basis.

While steadily growing our assets over the years, we will continue to maintain a disciplined approach in managing our capital structure and keeping our gearing below the regulatory limit of 45%.

ACKNOWLEDGEMENT

I would like to first thank our valued Unitholders for your continued support and hope you will continue to participate in our growth for the next 10 years. My appreciation also goes out to my fellow directors for your guidance, my management and staff for your hard work, and to all our stakeholders, thank you for your unyielding support.

Dr Ronnie Tan Keh Poo
CEO

Bowsprit Capital Corporation Limited
As Manager of First REIT

Board of Directors



from left:

Front Row (Seated)

Mr Albert Saychuan Cheok Independent Director and Chairman

Dr Ronnie Tan Keh Poo Executive Director and Chief Executive Officer

Back Row (Standing)

Mr Goh Tiam Lock Independent Director

Mr Ketut Budi Wijaya Non-Executive Director

Mr Wong Gang Independent Director

Board of Directors

MR ALBERT SAYCHUAN CHEOK

Independent Director and Chairman

Appointed on 17 May 2006

Mr Albert Saychuan Cheok is an Independent Director of the Manager and the Chairman of the Board. He also serves as Chairman of the Audit Committee and a member of the Nominating & Remuneration Committee.

Mr Cheok 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 that 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. He was the Chairman of Bangkok Bank Berhad from September 1995 to November 2005.

Mr Cheok was the Chairman and Independent Non-Executive Director of AcrossAsia Limited from February 2006 to August 2016, Chairman of General Assembly of Macau Chinese Bank Limited from May 2002 to May 2016 and Independent Non-Executive Director of Metal Reclamation Bhd from July 1998 to June 2015.

Mr Cheok is the Independent Non-Executive Chairman of Auric Pacific Group Limited, LMIRT Management Ltd (the manager of Lippo Malls Indonesia Retail Trust), International Standard Resources Holdings Limited and Amplefield Limited. Mr Cheok also holds Independent Non-Executive directorships in HongKong Chinese Limited, Adavale Resources Limited and China Aircraft Leasing Group Holdings Limited.

Mr Cheok is a Vice Governor of the Board of Governors of the Malaysian Institute of Corporate Governance.

MR GOH TIAM LOCK

Independent Director

Appointed on 17 May 2006

Mr Goh Tiam Lock is an Independent Director and a member of the Audit Committee of the Manager.

Mr Goh is currently the Managing Director of Lock Property Consultants Pte. Ltd., a position he has held since setting up the practice in 1993. The firm has an estate agent licence for which Mr Goh is the Key Executive Officer. Besides estate agency, Mr Goh also advises clients on real estate taxation, development and management.

Mr Goh is a member of the Strata Titles Boards, a position he has held since 1999. He is also 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 held the position of Property Manager in Supreme Holdings Ltd before joining Jones Lang Wootton as a senior executive in 1974. In 1976, he became a partner in MH Goh, Tan & Partners, the legacy firm of Colliers International, and retired from the firm in 1991.

He was actively involved in community work, holding positions such as 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 Master Mediator at the Marine Parade Community Mediation Centre. He is now a Patron of the Marine Parade Community Club Management Committee.

Mr Goh 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.

He is an Independent Non-Executive Director of LMIRT Management Ltd, the manager of Lippo Malls Indonesia Retail Trust.

Board of Directors

MR KETUT BUDI WIJAYA

Non-Executive Director

Appointed on 7 September 2012

Mr Ketut Budi Wijaya is a Non-Executive Director and a member of the Nominating & Remuneration Committee of the Manager.

Mr Wijaya graduated with an academy of accountancy in Indonesia in 1982. He brings with him more than 20 years of in-depth expertise in accounting and corporate finance.

During his career, Mr Wijaya held various executive and supervisory positions within the Lippo Group, including PT Matahari Putra Prima Tbk, PT Multipolar Tbk and PT Bank Lippo Tbk. He had also previously worked for Darmawan & Co. Public Accountants and PT Bridgestone Tire Indonesia.

Mr Wijaya is a Non-Executive Director of LMIRT Management Ltd, the manager of Lippo Malls Indonesia Retail Trust. He is also the President Director of PT Lippo Karawaci Tbk, the largest listed property company in Indonesia by total assets and revenue, with a highly focused, unique and integrated business model stretching across urban and large scale integrated developments, retail malls, healthcare, hospitality, property and portfolio management. Mr Wijaya is also the President Commissioner of PT Gowa Makassar Tbk, Vice President Commissioner of PT Lippo Cikarang Tbk as well as the Commissioner of PT Jababeka Tbk and other subsidiaries of PT Lippo Karawaci group.

MR WONG GANG

Independent Director

Appointed on 20 June 2012

Mr Wong Gang is an Independent Director of the Manager. He also serves as Chairman of the Nominating & Remuneration Committee and a member of the Audit Committee of the Manager.

Mr Wong graduated from the National University of Singapore in 1995 with Bachelor of Law (Hons) and was admitted as advocate and solicitor to the Supreme Court of Singapore in 1996.

Mr Wong has been a partner since 2002 at Shook Lin & Bok LLP, a law firm in Singapore, and has more than 20 years' experience advising on a wide range of corporate finance and securities transactions, stock market flotations, securities regulation and compliance for public listed companies, mergers and acquisitions, as well as general corporate legal advisory work. He is also a member of Shook Lin & Bok LLP's China practice group and has advised multinational corporations and Singapore companies on cross border transactions in China, as well as on public offerings of securities in Singapore by companies from China, Taiwan and South-East Asia.

Mr Wong is an Independent Director of JEP Holdings Limited (listed on SGX Catalist) and Renewable Energy Asia Group Limited (listed on SGX Catalist).

DR RONNIE TAN KEH POO

Executive Director and

Chief Executive Officer

Appointed on 17 May 2006

Dr Ronnie Tan is a Director as well as the Chief Executive Officer of the Manager since May 2006.

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 served as Chief Executive Officer of Gleneagles Hospital and later joined Parkway Holdings Limited as its international business development manager. In 1995, he worked in Indonesia as an Executive Director of Lippo Group and Chief Executive Officer of Siloam 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 Non-Executive Director of Auric Pacific Group Limited from August 2009 to February 2016.

Key Management



MR TAN KOK MIAN, VICTOR
Chief Financial Officer

Mr Tan Kok Mian, Victor joined Bowsprit in April 2008 as Senior Finance Manager, and was responsible for its financial operations. He was appointed as Chief Financial Officer in July 2008.

Prior to joining Bowsprit, Mr Tan worked at Parkway Holdings Limited from 1997 to 2008. He joined them as an Accountant in 1997 and was promoted to the position of Group Accountant and subsequently to Financial Controller. His scope of work in Parkway included supervising the preparation of the financial accounts and handling accounting matters for the holding company as well as some of the subsidiary companies within Parkway Group. During his tenure, he also assisted Parkway's Chief Financial Officer in the preparation of the consolidated accounts for the Parkway Group.

Mr Tan graduated in 1997 with the professional qualification from the Association of Chartered Certified Accountants (ACCA).

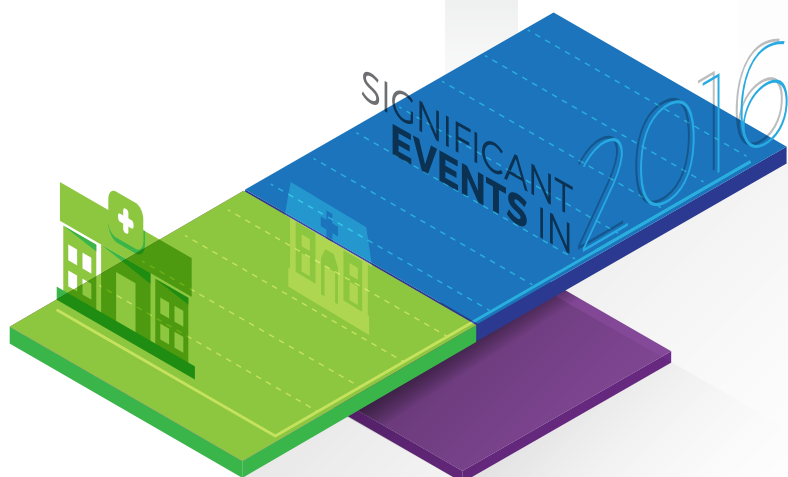
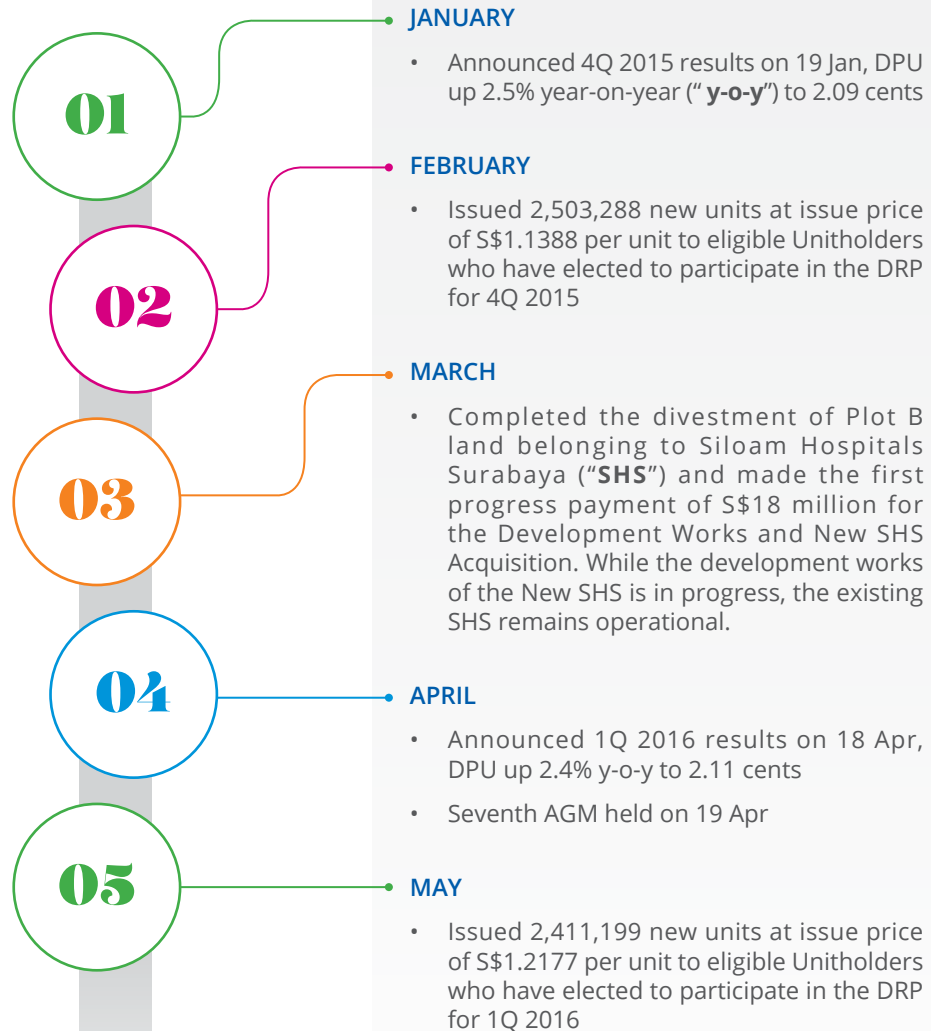


MR CHAN SENG LEONG, JACKY
Senior Asset and Investment Manager

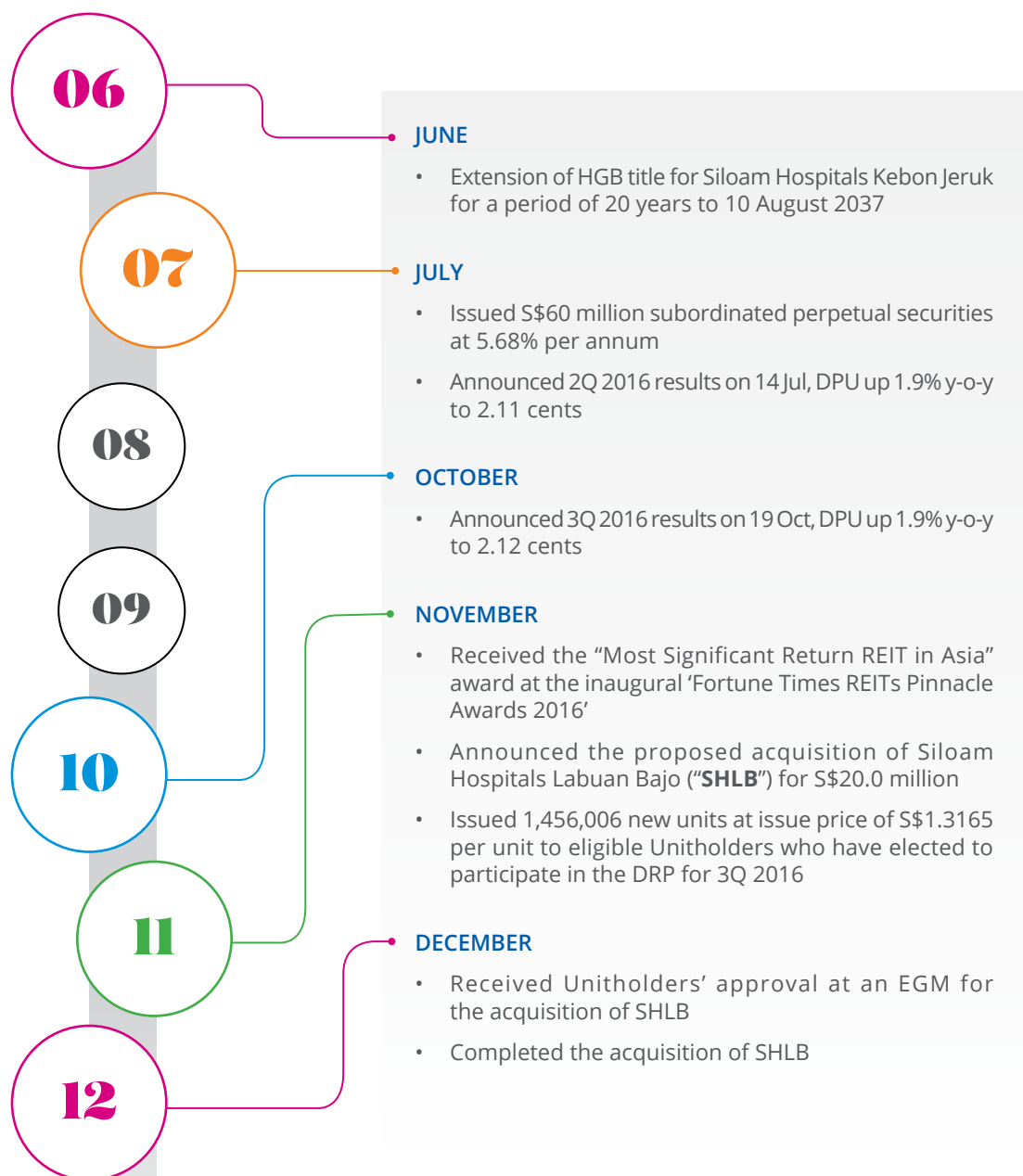
Mr Chan Seng Leong, Jacky graduated from the National University of Singapore in 1993 with a Bachelor of Science (Estate Management) (2nd Class Upper Honours) degree and subsequently in 1999 with a Master of Science (Real Estate) degree. In 2002, he obtained a Master in Business Administration degree 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 People's Republic of China.

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 multimillion dollar real estate acquisitions, structuring property investment and development deals (such as sale and leaseback, built-to suit and partial headlease), conducting property due diligence, as well as the planning and implementation of leasing and asset enhancement strategies to improve efficiency.

Significant Events in FY 2016



Significant Events in FY 2016



FY 2017 Financial Calendar

EVENTS	DATE (TENTATIVE)
1Q 2017 Results Announcement	17 April 2017
1Q 2017 Distribution to Unitholders	30 May 2017
2Q 2017 Results Announcement	17 July 2017
2Q 2017 Distribution to Unitholders	29 August 2017
3Q 2017 Results Announcement	16 October 2017
3Q 2017 Distribution to Unitholders	29 November 2017
4Q 2017 Results Announcement	17 January 2018
4Q 2017 Distribution to Unitholders	28 February 2018

Our Network



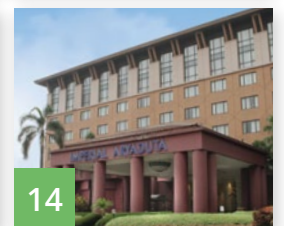
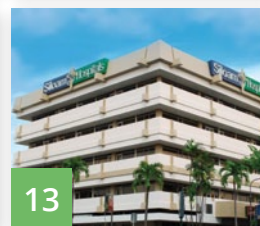
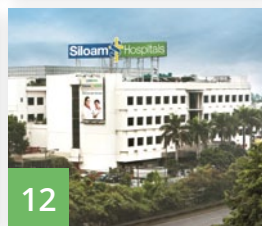
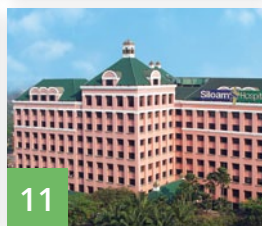
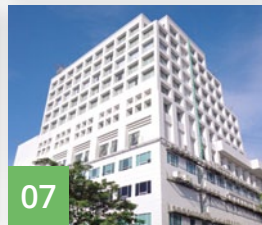
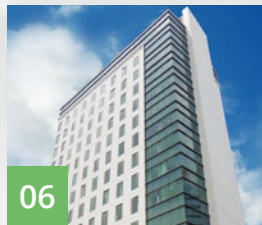
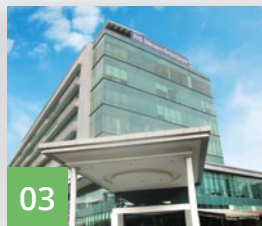
South Korea



SARANG HOSPITAL

A 6-storey hospital, with one basement level, offering the largest rehabilitative treatment and nursing healthcare services in Yeosu City.

01 SILOAM HOSPITALS LABUAN BAJO



Our Network

Singapore



PACIFIC HEALTHCARE NURSING HOME @ BUKIT MERAH

A 4-storey custom-built nursing home with basement carpark and roof terrace.



PACIFIC HEALTHCARE NURSING HOME II @ BUKIT PANJANG

A 5-storey custom-built nursing home.



THE LENTOR RESIDENCE

A 5-storey custom-built nursing home with comprehensive medical facilities.

Indonesia

01 SILOAM HOSPITALS LABUAN BAJO

A 3-storey hospital located in the growing tourism centre of Labuan Bajo, currently the only hospital facility in Labuan Bajo and the West Manggarai Regency.

02 SILOAM HOSPITALS KUPANG & LIPPO PLAZA KUPANG

A linked 4-storey hospital with a basement level and a 3-storey mall located in Kupang, the capital city of East Nusa Tenggara.

03 SILOAM SRIWIJAYA

A strata-titled 7-storey hospital located in Palembang, the capital city of South Sumatra.

04 SILOAM HOSPITALS PURWAKARTA

A 3-storey and 5-storey adjoining hospital building located in the fast growing city of Purwakarta in West Java.

05 SILOAM HOSPITALS BALI

A 4-storey hospital with one basement level, strategically located in the fastest growing area in Bali.

06 SILOAM HOSPITALS TB SIMATUPANG

A 16-storey hospital, with two basement levels, located in Cilandak, South Jakarta.

07 SILOAM HOSPITALS MANADO & HOTEL ARYADUTA MANADO

An 11-storey integrated hospital and hotel with basement level located in Manado City, North Sulawesi.

08 SILOAM HOSPITALS MAKASSAR

A 7-storey hospital located in the integrated township of Tanjung Bunga, Makassar City, South Sulawesi.

09 MOCHTAR RIADY COMPREHENSIVE CANCER CENTRE

Indonesia's first private comprehensive cancer treatment centre equipped with state-of-the art facilities and diagnostic medical technologies, located in Central Jakarta.

10 SILOAM HOSPITALS LIPPO CIKARANG

A 6-storey hospital located in East Jakarta, reputed for its international standards of medical care, with a broad range of general and specialist services.

11 SILOAM HOSPITALS LIPPO VILLAGE

One of the largest private hospitals in the region with a strong brand name for excellent patient care, world-class Neuroscience and Cardiology specialties and a first-rate Trauma Centre.

12 SILOAM HOSPITALS KEBON JERUK

A 6-storey hospital with a 3-storey extension building located in West Jakarta, renowned for its authority in the diagnosis and treatment of disorders of the urinary tract or urogenital system.

13 SILOAM HOSPITALS SURABAYA

One of the most recognised and highly respected private hospitals in Surabaya, with excellent Trauma Centre facilities.

14 IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

One of the few 5-star hotels linked with a country club in Jakarta.

Property Overview

Indonesia



SILOAM HOSPITALS LABUAN BAJO

Jl. Gabriel Gampur, Labuan Bajo, West Manggarai Regency, East Nusa Tenggara, Indonesia

Property Type	Hospital
Centre of Excellence	Emergency Medicine, Internal Medicine and Neuroscience
Land Area	2,837 sq metres
Gross Floor Area	7,604 sq metres
Purchase Price	S\$20.0 m
Appraised Value	S\$20.6 m
Max. No. of Beds	153
Established	2015
Lease Commencement	30 December 2016
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	29 December 2031

A 3-storey hospital located in the growing tourism centre of Labuan Bajo, currently the only hospital facility in Labuan Bajo and the West Manggarai Regency.

- Labuan Bajo is a gateway to the famous Komodo National Park (on Komodo Island), as well as Rinca Island.
- Commenced operations in January 2016, its medical facilities include emergency rooms, operating theatres, delivery rooms, outpatient clinics, inpatient services, isolation rooms, intensive care unit, neonatal intensive care unit, X-ray machines, Ultrasonography and 3-dimension Echocardiography.
- Offers various medical services including Mammography, Cardiology, Dentistry, Dermatology, General Surgery, Haemodialysis, Internal Medicine, Paediatrics, Obstetrics and Gynaecology, Medical Rehabilitation and Physiotherapy, Radiology and Trauma.



SILOAM HOSPITALS KUPANG & LIPPO PLAZA KUPANG

Jalan Veteran No. 4, Arena Pameran Fatululi, Kupang, East Nusa Tenggara, Indonesia

Property Type	Integrated Hospital & Mall
Centre of Excellence	Emergency & Trauma, Obstetrics, Gynaecology and Paediatrics
Land Area	66,060 sq metres
Gross Floor Area	55,368 sq metres
Purchase Price	S\$70.0 m
Appraised Value	S\$69.5 m
Annual Rental	S\$6.9 m
Max. No. of Beds	416
Established	2014
Lease Commencement	14 December 2015
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	13 December 2030

A linked 4-storey hospital with a basement level and a 3-storey mall located in Kupang, the capital city of East Nusa Tenggara.

- The hospital is a 4-storey building with one basement level and 133 vehicle parking spaces.
- Offers various specialties including Internal Medicine, Anaesthesiology, Cardiology, Obstetrics & Gynaecology, Neurology and General Surgery.
- The most modern and well-equipped facility in the East Nusa Tenggara province, fitted with state-of-the-art diagnostic medical technologies including a 128-slice dual source CT Scanner, X-ray systems, 4-Dimension USG, Mammography, Dental Panoramic system, MRI, Haemodialysis Facility, and a fully equipped medical check-up facility, among others.
- The mall is a 3-storey building with a rooftop, on which a cinema and parking lots are located. The mall was completed in December 2014 and commenced operations in March 2015.

Property Overview

Indonesia



SILOAM SRIWIJAYA

Jalan POM IX, Komplek Palembang Square, Palembang,
South Sumatra, Indonesia

Property Type	Hospital
Centre of Excellence	Emergency & Trauma, Gastroenterology
Strata Floor Area	15,709 sq metres
Purchase Price	S\$39.2 m
Appraised Value	S\$42.7 m
Annual Rental	S\$3.9 m
Max. No. of Beds	357
Established	2012
Lease Commencement	29 December 2014
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	28 December 2029

A strata-titled 7-storey hospital located in Palembang, the capital city of South Sumatra.

- Part of an integrated development comprising a hospital, shopping mall and 800 parking lots.
- Equipped with state-of-the-art diagnostic medical equipment.
- Well-positioned to serve the middle to upper middle-income segment of the healthcare market.
- Strategically located in Palembang, the second largest city of Sumatra, and also the seventh largest city in Indonesia.



SILOAM HOSPITALS PURWAKARTA

Jalan Raya Bungursari No. 1, Purwakarta,
West Java, Indonesia

Property Type	Hospital
Centre of Excellence	Emergency & Trauma
Land Area	7,990 sq metres
Gross Floor Area	8,254 sq metres
Purchase Price	S\$31.0 m
Appraised Value	S\$41.0 m
Annual Rental	S\$3.4 m
Max. No. of Beds	202
Established	2005 & 2008
Lease Commencement	28 May 2014
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	27 May 2029

A 3-storey and 5-storey adjoining hospital building located in the fast growing city of Purwakarta in West Java.

- Strategically located between Jakarta and Bandung, accessible from Bandung via Cipularang Toll Road, also accessible to neighbouring suburban cities due east of Purwakarta via Cikopo-Palimanaan Toll Road.
- Easily accessible by the city's residents as it is situated in a prime location within Purwakarta along the main road of Jalan Raya Bungursari.
- Provides international quality healthcare with state-of-the-art diagnostic medical technologies, including a 64-slice dual source CT scanner, X-Ray machine with Fluoroscopy and C-Arm, among others.
- Serves a population catchment of almost 1 million and is well-positioned to cater to the burgeoning middle income groups in the residential and industrial areas of the city.

Property Overview

Indonesia



SILOAM HOSPITALS BALI

Jalan Sunset Road No. 818, Kuta, Badung, Bali, Indonesia

Property Type	Hospital
Centre of Excellence	Cardiology, Emergency & Trauma, Orthopaedics
Land Area	9,025 sq metres
Gross Floor Area	20,958 sq metres
Purchase Price	S\$97.3 m
Appraised Value	S\$124.7 m
Annual Rental	S\$9.8 m
Max. No. of Beds	281
Established	2012
Lease Commencement	13 May 2013
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	12 May 2028

A 4-storey hospital with one basement level, strategically located in the fastest growing area in Bali.

- Notable developments in the vicinity include Carrefour, Bali Galleria Shopping Mall and Ngurah Rai International Airport.
- Provides healthcare services of international standards with state-of-the-art diagnostic medical technologies, including 1.5 Tesla MRI, 256-slice CT scanner, Catheterisation Lab, Mammography, USG 3D & 4D, Digital X-Ray, among others.
- Houses an emergency department of international standards to which doctors, nurses and paramedical staff are well-trained in emergency procedures, and ambulances are fully-equipped with the latest life-sustaining devices and medical kits to respond to all emergencies.
- Well-positioned to provide healthcare services to both the local population and tourists. Bali is a popular tourist destination with over 4.9 million tourist arrivals in 2016¹.

¹ Source: Bali Government Tourism Office



SILOAM HOSPITALS TB SIMATUPANG

Jalan Letjend. TB Simatupang, Jalan R.A. Kartini No. 8, Cilandak, South Jakarta, Indonesia

Property Type	Hospital
Centre of Excellence	Cardiology, Emergency & Trauma, Neuroscience, Oncology
Land Area	2,489 sq metres
Gross Floor Area	18,605 sq metres
Purchase Price	S\$93.1 m
Appraised Value	S\$119.4 m
Annual Rental	S\$9.3 m
Max. No. of Beds	269
Established	2013
Lease Commencement	22 May 2013
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	21 May 2028

A 16-storey hospital, with two basement levels, located in Cilandak, South Jakarta.

- Notable developments in the vicinity include Metropolitan Tower Office Building, South Quarter which is a mixed-use development comprising integrated office towers, apartment and retail facilities, as well as Poin Square, a mixed-use development comprising retail facilities and apartments.
- Equipped with state-of-the-art diagnostic medical technologies including 3.0T MRI, 256-slice dual source CT scanner, Catheterisation Lab, IBA Cyclotron and the latest Linear Accelerator for radiotherapy, among others.
- Strategically located and positioned to provide healthcare services to the upper-middle class in South Jakarta.

Property Overview

Indonesia



SILOAM HOSPITALS MANADO & HOTEL ARYADUTA MANADO

*Jalan Sam Ratulangi No. 22 Komplek Boulevard Center,
and at Jalan Piere Tendean No. 1, Manado,
North Sulawesi, Indonesia*

Property Type	Integrated Hospital & Hotel
Centre of Excellence	Emergency & Trauma
Land Area	5,518 sq metres
Gross Floor Area	36,051 sq metres
Purchase Price	S\$83.6 m
Appraised Value	S\$104.3 m
Annual Rental	S\$8.4 m
Max. No. of Beds / Saleable Rooms	238 beds / 200 rooms
Established	2011
Lease Commencement	30 November 2012
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	29 November 2027

An 11-storey integrated hospital and hotel with basement level located in Manado City, North Sulawesi.

- Strategically located within Manado City, surrounded by prominent developments such as IT Centre and Mega Mall Manado.
- Integrated hospital and 5-star hotel with a broad range of quality general and specialist services, including therapeutic services and an extensive range of diagnostic and preventive healthcare services.
- Fully-equipped with state-of-the-art diagnostic medical technologies and facilities: CT Scanner, MRI, Ultrasonography, Catheterisation Lab, 50 specialist clinic suites and three operating theatres, among others.



SILOAM HOSPITALS MAKASSAR

*Jalan Metro Tanjung Bunga Kav 3 – 5, Makassar City,
South Sulawesi, Indonesia*

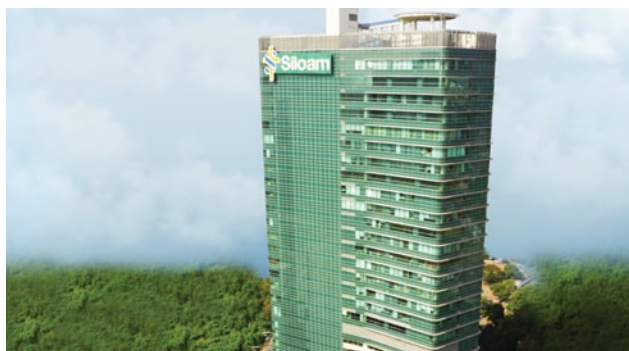
Property Type	Hospital
Centre of Excellence	Cardiology, Emergency & Trauma, Endocrinology
Land Area	3,963 sq metres
Gross Floor Area	14,307 sq metres
Purchase Price	S\$59.3 m
Appraised Value	S\$73.7 m
Annual Rental	S\$5.9 m
Max. No. of Beds	360
Established	2012
Lease Commencement	30 November 2012
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	29 November 2027

A 7-storey hospital located in the integrated township of Tanjung Bunga, Makassar City, South Sulawesi.

- Provides a broad range of quality general and specialist services, including therapeutic services and an extensive range of diagnostic and preventive healthcare services.
- Equipped with comprehensive state-of-the-art diagnostic medical technologies and the latest generation of smart IT-systems in Indonesia, including CT scanner, MRI, Ultrasonography, Mammography, Catheterisation Lab, 58 specialist outpatient clinic suites and three operating theatres, among others.
- Provides emergency and medical evacuation via designated ambulances and helicopter ambulance services, which are first-of-its-kind capabilities in South Sulawesi.
- Well-positioned to cater to the growing residential and commercial areas in Makassar City.

Property Overview

Indonesia



MOCHTAR RIADY COMPREHENSIVE CANCER CENTRE
*Jalan Garnisun Dalam No. 2-3, Semanggi,
 Central Jakarta, Indonesia*

Property Type	Hospital
Centre of Excellence	Emergency & Trauma, Gastroenterology, Oncology
Land Area	4,145 sq metres
Gross Floor Area	37,933 sq metres
Purchase Price	S\$170.5 m
Appraised Value	S\$252.8 m
Annual Rental	S\$20.7 m
Max. No. of Beds	334
Established	2010
Lease Commencement	30 December 2010
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	29 December 2025

Indonesia's first private comprehensive cancer treatment centre equipped with state-of-the art facilities and diagnostic medical technologies, located in Central Jakarta.

- A 29-storey hospital, with two basement levels.
- Strategically located in the prime district of Central Jakarta near Plaza Semanggi, Hotel Aryaduta Semanggi and other international 5-star hotels, serving both local and foreign patients.
- Provides Radio-Immunotherapy (RIT), High Dose Brachytherapy, Radiopeptide Therapy, Molecular Imaging with PET/Computed Tomography (PET/ CT) and Single Photon Emission Computed Tomography/Computed Tomography (SPECT/ CT), Chemotherapy, Complementary Therapy, Linear Accelerator Treatment, Multi Slice CT Scanner, High Field Strength MRI, Angiography, in-house clinical trials and integrated IT and PACS/RIS.
- Provides training in Medical Oncology, Radiation Therapy, Cancer Imaging and Surgical Oncology.



SILLOAM HOSPITALS LIPPO CIKARANG
*Jalan Mohammad Husni Thamrin Kav.105,
 Lippo Cikarang, Bekasi, Indonesia*

Property Type	Hospital
Centre of Excellence	Emergency & Trauma, Internal Medicine, Urology
Land Area	9,900 sq metres
Gross Floor Area	11,125 sq metres
Purchase Price	S\$35.0 m
Appraised Value	S\$48.7 m
Annual Rental	S\$4.2 m
Max. No. of Beds	114
Established	2002
Lease Commencement	31 December 2010
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	30 December 2025

A 6-storey hospital located in East Jakarta, reputed for its international standards of medical care, with a broad range of general and specialist services.

- Offers a broad range of quality general and specialist services, including A&E services, ambulance services with medical evacuation facilities, as well as inpatient and outpatient facilities.
- Features an ESWL unit to treat kidney stones, well respected for its Paediatric Neonatal Intensive Care Unit to treat premature and sick babies, and also equipped for minimally-invasive Laparoscopic Digestive Surgery.
- Strategically located to serve the growing residential and industrial areas in East Jakarta.

Property Overview

Indonesia



SILOAM HOSPITALS LIPPO VILLAGE
*Jalan Siloam No. 6 Lippo Karawaci 1600,
 Tangerang, Banten, Indonesia*

Property Type	Hospital
Centre of Excellence	Cardiology, Emergency & Trauma, Neuroscience, Orthopaedics
Land Area	17,442 sq metres
Gross Floor Area	27,284 sq metres
Purchase Price	S\$94.3 m
Appraised Value	S\$161.7 m
Annual Rental	S\$14.4 m
Max. No. of Beds	274
Established	1995
Lease Commencement	11 December 2006
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	10 December 2021

One of the largest private hospitals in the region with a strong brand name for excellent patient care, world-class Neuroscience and Cardiology specialties and a first-rate Trauma Centre.

- 10-storey hospital conveniently located in the first private sector township of Lippo Village.
- Offers holistic care for its patients with a comprehensive range of medical and surgical services, supported by senior and experienced specialists, qualified and attentive nurses and staff, and complemented by state-of-the-art diagnostic medical technologies and facilities.
- A “Hub” in Neuroscience, Cardiology, Radiology and Trauma for the Siloam network of hospitals via real-time Tele-medicine and Tele-radiology through which clinical information is transferred to specialists.
- First in Indonesia to be accredited in 2007, and subsequently re-accredited twice, with the prestigious US-based Joint Commission International (JCI) – the world’s leading internationally recognised hospital accreditation award – placing the hospital in the same league as other leading hospitals in the region.



SILOAM HOSPITALS KEBON JERUK
*Jalan Raya Perjuangan Kav. 8, Kebon Jeruk,
 West Jakarta, Indonesia*

Property Type	Hospital
Centre of Excellence	Cardiology, Emergency & Trauma, Orthopaedics, Urology
Land Area	11,420 sq metres
Gross Floor Area	18,316 sq metres
Purchase Price	S\$50.6 m
Appraised Value	S\$96.0 m
Annual Rental	S\$8.2 m
Max. No. of Beds	215
Established	1991
Lease Commencement	11 December 2006
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	10 December 2021

A 6-storey hospital with a 3-storey extension building located in West Jakarta, renowned for its authority in the diagnosis and treatment of disorders of the urinary tract or urogenital system.

- Serves a large catchment of middle to upper income residents.
- One-stop centre which offers a multidisciplinary approach for urology services, in particular prostate and kidney stones diseases.
- A “Hub” in Orthopaedic, Urology, Cardiology and Radiology for the Siloam network of hospitals via real-time Tele-medicine and Tele-radiology through which clinical information is transferred to specialists.
- Received Indonesian Hospital Accreditation from the Ministry of Health in 2002 and accredited with the prestigious US-based JCI in August 2016.

Property Overview

Indonesia



SILOAM HOSPITALS SURABAYA

Jalan Raya Gubeng No. 70, Gubeng Surabaya,
East Java, Indonesia

Property Type	Hospital
Centre of Excellence	Cardiology, Emergency & Trauma
Land Area	4,306 sq metres
Gross Floor Area	9,227 sq metres
Purchase Price	S\$16.8 m
Appraised Value	S\$30.2 m
Annual Rental	S\$3.2 m
Max. No. of Beds	160
Established	1977
Lease Commencement	11 December 2006
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	10 December 2021

One of the most recognised and highly respected private hospitals in Surabaya, with excellent Trauma Centre facilities.

- 5-storey hospital located in the central area of Indonesia's second largest city, serving a large catchment area of potential patients given the relatively low number of high quality hospitals within the region.
- At the EGM held on 29 December 2015, First REIT has obtained Unitholders' approval for the transaction in relation to SHS pursuant to which, among others, development works will be undertaken to construct and develop the New SHS, which will be adjacent to the existing SHS. Upon completion of the New SHS which is expected in 2019, First REIT will acquire the New SHS. While the development works of the New SHS is in progress, the existing SHS remains operational. Please refer to First REIT's circular dated 14 December 2015 in relation to the New SHS for further details. In FY 2016, First REIT completed the divestment of Plot B land belonging to SHS and made the first progress payment of S\$18 million for the development works and new SHS acquisition.



IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

Jalan Boulevard Jendral Sudirman Kav. 401,
Lippo Village 1300, Tangerang, Banten, Indonesia

Property Type	Hotel & Country Club
Land Area	54,410 sq metres
Gross Floor Area	17,427 sq metres
Purchase Price	S\$21.2 m
Appraised Value	S\$41.8 m
Annual Rental	S\$4.0 m
Max. No. of Saleable Rooms	190
Established	1994
Lease Commencement	11 December 2006
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	10 December 2021

One of the few 5-star hotels linked with a country club in Jakarta.

- A 5-star 7-storey hotel with six blocks of cabana houses and a 2-storey country club complete with a wide range of sports, recreational, convention and F&B services.
- Situated in the heart of Lippo Village's business and commercial district, and right next to Siloam Hospitals Lippo Village, providing convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients and families.
- Attracts business travellers with its ideal location near the business and industrial areas of Cilegon.

Property Overview

Singapore



**PACIFIC HEALTHCARE NURSING HOME
@ BUKIT MERAH**
6 Lengkok Bahru, Singapore

Property Type	Nursing Home
Land Area	1,984 sq metres
Gross Floor Area	3,593 sq metres
Purchase Price	S\$11.8 m
Appraised Value	S\$10.0 m
Annual Rental	S\$1.1 m
Max. No. of Beds	259
Established	2004
Lease Commencement	11 April 2007
Lease Terms	10 years with option to renew for 10 years (tenant has exercised the option)
Lease Expiry Date	10 April 2027

A 4-storey custom-built nursing home with a basement carpark and roof terrace.

- Conveniently located near Bukit Merah Town Centre, Redhill MRT Station and the city centre.
- Situated in close proximity to the restructured hospitals: Singapore General Hospital, National University Hospital and Alexandra Hospital.
- Staffed with a team of dedicated, experienced and friendly healthcare professionals to care for the needs of residents round the clock.



**PACIFIC HEALTHCARE NURSING HOME II
@ BUKIT PANJANG**
21 Senja Road, Singapore

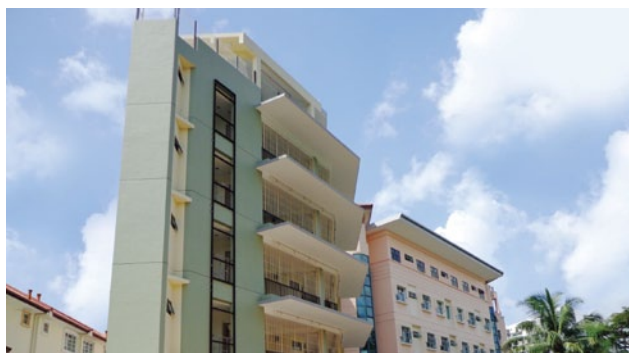
Property Type	Nursing Home
Land Area	2,000 sq metres
Gross Floor Area	3,563 sq metres
Purchase Price	S\$11.5 m
Appraised Value	S\$10.0 m
Annual Rental	S\$1.1 m
Max. No. of Beds	265
Established	2006
Lease Commencement	11 April 2007
Lease Terms	10 years with option to renew for 10 years (tenant has exercised the option)
Lease Expiry Date	10 April 2027

A 5-storey custom-built nursing home.

- Situated close to Bukit Panjang Town Centre, Bukit Panjang MRT Station and Senja LRT Station.
- Comprises a team of well-qualified and dedicated nursing staff to attend to the needs of residents.
- Houses a Rehabilitation Centre providing specialised treatments including occupational and speech therapy.

Property Overview

Singapore



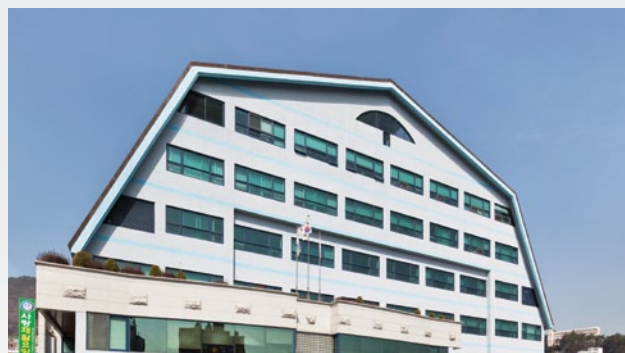
THE LENTOR RESIDENCE
51 Lentor Avenue, Singapore

Property Type	Nursing Home
Land Area	2,486 sq metres
Gross Floor Area	4,005 sq metres
Purchase Price	S\$12.8 m
Appraised Value	S\$16.8 m
Annual Rental	S\$1.6 m
Max. No. of Beds	208
Established	1999 & 2013 (new extension building)
Lease Commencement	8 June 2007
Lease Terms	10 years with option to renew for 10 years (tenant has exercised the option)
Lease Expiry Date	7 June 2027

A 5-storey custom-built nursing home with comprehensive medical facilities.

- Located in the Lentor vicinity surrounded by greenery.
- Completed the asset enhancement of an additional storey and a 5-storey extension building in February 2013.
- Provides comprehensive medical facilities which include in-house clinic and doctor in attendance, 24-hour nursing care with nurse-call system and telephone line at every bedside.
- Additional security featuring professionally managed security system eg. Public Address system with Closed Circuit Television security monitors.

South Korea



SARANG HOSPITAL
No. 9 Bongsannam 3rd Street, Yeosu City,
Jeonranam-Do, South Korea

Property Type	Hospital
Land Area	2,142 sq metres
Gross Floor Area	4,982 sq metres
Purchase Price	US\$13.0 m
Appraised Value	US\$6.4 m
Annual Rental	US\$0.6 m
Max. No. of Beds	217
Established	2010
Lease Commencement	5 August 2011
Lease Terms	10 years with option to renew for 10 years
Lease Expiry Date	4 August 2021

A 6-storey hospital, with one basement level, offering the largest rehabilitative treatment and nursing healthcare services in Yeosu City.

- Easily accessible and centrally located in the beach resort city of Yeosu, near "Bongsan Market" in the Bongsan-Dong precinct of Yeosu City, Jeonranam-Do.
- The hospital also has X-ray and Ultrasound diagnostic facilities, clinics, a rehabilitation centre, cafeteria and restaurant.

Note

The valuations for the Indonesia properties were conducted by KJPP Rinaldi, Alberth, Baroto & Partners, Savills Valuation & Professional Services (S) Pte Ltd in partnership with KJPP Willie Prasetyo dan Rekan, KJPP Willson & Rekan in association with Knight Frank and KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. The valuations of the Singapore and Korea properties were conducted by Colliers International Consultancy & Valuation (Singapore) Pte Ltd.

The valuations of the respective properties were conducted as at 31 December 2016.

Corporate Governance Report

First Real Estate Investment Trust ("**First REIT**"), constituted as a real estate investment trust, is externally managed by Bowsprit Capital Corporation Limited (in its capacity as manager of First REIT) (the "**Manager**") and accordingly, has no personnel of its own. The Manager has the responsibility of managing the business conducted by First REIT and is dedicated to maintaining the highest standard of corporate governance.

The Board of Directors of the Manager sets out in this report, the corporate governance practices and policies with reference to regulatory requirements and the Code of Corporate Governance 2012 (the "**Code**"). Other than the deviations which are explained in this report, the Manager has complied with the principles of the Code. The Manager has taken steps to align its governance framework with the recommendations of the Code, where they are applicable, relevant and practicable to the Group.

THE MANAGER OF FIRST REIT

The Manager has general powers of management over the assets of First REIT. The Manager's main responsibility is to manage the assets and liabilities of First REIT in the best interests of First REIT's unitholders (the "**Unitholders**").

The primary role of the Manager is to set the strategic direction of First REIT. This includes making recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of First REIT (the "**Trustee**") on acquisition, divestment or enhancement of assets of First REIT. The research, analysis and evaluation required for this purpose are co-ordinated and carried out by the Manager. The Manager is also responsible for the risk management of First REIT.

Other functions and responsibilities of the Manager include:

- (i) Using its best endeavours to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with, or on behalf of First REIT, at arm's length and on normal commercial terms;
- (ii) Preparing property plans on a regular basis which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanation of major variances to approved budgets, written commentary on key issues and any other relevant assumptions. The purpose of these plans is to explain the performance of First REIT's properties;
- (iii) Ensuring compliance with the applicable provisions of the Securities and Futures Act, Chapter 289 ("**SFA**") and all other relevant legislation, the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("**MAS**") (the "**CIS Code**") including Property Fund Guidelines in Part II Appendix 6 of the CIS Code (the "**Property Funds Guidelines**"), the Manager's obligations under the Trust Deed, Singapore Financial Reporting Standards, any tax ruling and all relevant contracts; and
- (iv) Attending to all regular communication with Unitholders.

The Manager has been granted a capital markets services ("**CMS**") licence by the MAS and its officers are authorised representatives under the SFA. The Manager appoints an experienced and well-qualified management personnel to handle the day-to-day operations of the Manager.

Corporate Governance Report

BOARD OF DIRECTORS OF THE MANAGER

Role of the Board

The Board of Directors of the Manager (the “**Board**”) is entrusted with the responsibility of overall management 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 responsible for the strategic business direction and risk management of First REIT. The Board has adopted an internal guide whereby certain key matters are specifically reserved for the Board’s approval, such as business strategy and planning, acquisition of properties, material financial commitments, loan facilities and distribution to Unitholders. The Board has established a framework for the management of the Manager and First REIT, including a system of internal controls and risk management process.

The Board meets to review the Manager’s key activities. Board meetings are held quarterly (or more often if necessary) to discuss and review the strategies and policies of First REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of First REIT against previously approved budget, and to approve the release of the quarterly and full year results. The Board also reviews the risks to the assets of First REIT, and acts judiciously upon any comments from the auditors of First REIT. Management provides the Board with complete and adequate information in a timely manner, including board papers, budget, forecasts and management accounts. The Board reviews management reports and feasibility studies on individual development projects prior to approving major transactions. When necessary, additional Board meetings are held to address significant transactions or issues. The Constitution of the Manager provides for Board meetings to be held by way of telephone conference and videoconference. If required, time is set aside for discussions amongst the non-executive members of the Board without the presence of management, in line with the guidelines of the Code.

The Board is reviewing sustainability issues as part of its strategic formulation and in preparation of the annual sustainability reporting in line with the requirements of the Listing Manual.

The Board is supported by the Audit Committee (“**AC**”) and Nominating & Remuneration Committee (“**NRC**”) in discharging its responsibilities. The Board has delegated specific responsibilities to these Board Committees and their composition and duties are described in this report. While these Board Committees have the authority to examine particular issues in their respective areas, the Board Committees report to the Board with their decisions and/or recommendations as the ultimate responsibility on all matters lies with the entire Board.

The Board has adopted a set of internal controls, which sets out approval limits on capital expenditure, investments, divestments and bank borrowings. The Board believes that the internal controls system adopted is adequate and appropriate delegations of authority have been provided to management to facilitate operational efficiency.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes affect First REIT’s business or 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 relevant professionals. New and existing directors receive regular training, particularly on relevant new laws, regulations and changing commercial risks including training sponsored by SGX-ST, the Accounting and Corporate Regulatory Authority, Singapore Institute of Directors, Singapore Business Federation and by audit firms. During the financial year 2016, the Directors received or attended several trainings/conferences on accounting issues, corporate governance and other related matters. Directors are also encouraged to participate in industry conferences, seminars and training programmes and have access to professionals for consultation as and when they deem necessary, funded by the Manager. Management provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments. Site visits to properties located overseas are organised to familiarise Directors with First REIT’s properties and to facilitate better understanding of the Group’s operations.

Newly appointed Directors are briefed by management on the industry, business activities and strategic directions of First REIT and all relevant provisions that they need to comply with. Induction, orientation and training is given to new directors to ensure they are familiar with the Manager’s business and governance practices.

Corporate Governance Report

The number of Board, AC and NRC meetings held in FY2016 and the attendance of Directors at these meetings are set out below:

Name of Directors	Board Meetings	Audit Committee Meetings	Nominating & Remuneration Committee Meetings
	Attendance/ No. of meetings held	Attendance/ No. of meetings held	Attendance/ No. of meetings held
Albert Saychuan Cheok	4/4	4/4	1/1
Dr Ronnie Tan Keh Poo	4/4	NA	NA
Goh Tiam Lock	4/4	4/4	NA
Wong Gang	4/4	4/4	1/1
Ketut Budi Wijaya	3/4	NA	1/1

Board Composition and Balance

The Board presently comprises five Directors and the Board considers this number to be appropriate for the current scope of First REIT's operations. The Directors of the Board are:

Mr Albert Saychuan Cheok (Chairman)	(Independent Director)
Dr Ronnie Tan Keh Poo	(Executive Director and Chief Executive Officer ("CEO"))
Mr Goh Tiam Lock	(Independent Director)
Mr Wong Gang	(Independent Director)
Mr Ketut Budi Wijaya	(Non-Executive Director)

No Alternate Director had been appointed to the Board.

The Board comprises business leaders and professionals with healthcare, property, banking, legal and finance backgrounds. The profiles of the Directors are set out on pages 13 and 14 of this Annual Report.

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

- The Chairman of the Board can be an Independent Director or a Non-Independent Director, provided that where the Chairman is a Non-Independent Director, a Lead Independent Director will also be appointed in line with the Code;
- The Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, healthcare, legal and the property industry; and
- At least half of the Board should comprise Independent Directors.

Corporate Governance Report

The majority of the Directors are independent of management. This enables management to benefit from their external, diverse and objective perspectives on issues that are brought before the Board. It also enables the Board to work with management through the robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles between the Chairman and CEO, provides a healthy professional relationship between the Board and management, with clarity of roles and robust oversight as they deliberate on the business activities of First REIT and the Manager.

The Board has separate and independent access to senior management and the company secretary at all times and vice versa. The Board will also be furnished with board papers at least a week prior to Board meetings in order to give them ample time to prepare for the Board meetings. The company secretary (and in his absence, his designated officer) attends to corporate secretarial administration matters and attends all Board and Board Committee meetings. The appointment and removal of the company secretary is a matter for the Board as a whole. The Board also has access to independent professional advice where appropriate, at the Manager's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Board and CEO are held by separate individuals. The Chairman, Mr Albert Saychuan Cheok, is an Independent Director while the CEO, Dr Ronnie Tan Keh Poo, is an Executive Director. Their roles and responsibilities are clearly defined. The Chairman and the CEO are not related to each other. The Chairman is also not part of the management team. Accordingly, in FY2016 the Manager is not required to appoint a Lead Independent Director as stipulated in the Code.

In the case where the Chairman is not an Independent Director, or under any of the scenarios under Guideline 3.3 of the Code, the Board will appoint an Independent Director to be the Lead Independent Director.

The Chairman is responsible for the overall management of the Board as well as ensuring that members of the Board work together with management in a constructive manner to address strategies, business operations and enterprise issues. The CEO has full executive responsibilities over the business directions and operational decisions concerning the management of First REIT. He works closely with the Board to implement the policies set by the Board to realise the Manager's vision.

AUDIT COMMITTEE

The AC is appointed by the Board from among the Directors of the Manager and comprises the following three members, all of whom (including the Chairman of the AC) are Independent Directors:

Mr Albert Saychuan Cheok (Chairman)	(Independent Director)
Mr Goh Tiam Lock	(Independent Director)
Mr Wong Gang	(Independent Director)

The members of the AC are appropriately qualified to discharge their responsibilities and have relevant accounting and related financial management experience and expertise. None of the AC members were previous partners or directors of, or hold any financial interest in, the Manager's current auditing firm.

The role of the AC is to monitor and evaluate the effectiveness of the Manager's internal controls. The AC 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 AC also assesses changes in accounting standards and accounting issues that may impact First REIT.

Corporate Governance Report

The AC is guided by its terms of reference endorsed by the Board and its principal duties include:

- reviewing and approving 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 and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management, including that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit function is effective, adequately resourced and has appropriate standing within the Manager;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code, including the Property Funds Guidelines;
- reviewing, on an annual basis, the independence and objectivity of the external auditors, and the nature and extent of non-audit services performed by the external auditors;
- making recommendations to the Board on the appointment, re-appointment and removal of external auditors, including approving their remuneration and terms of engagement;
- reviewing the adequacy and effectiveness of internal controls including financial, operational, compliance and information technology controls;
- reviewing the financial statements and the audit report, as well as any announcements relating to the financial results of First REIT;
- investigating any matters within the AC’s terms of reference, whenever it deems necessary;
- reporting to the Board on material matters, findings and recommendations; and
- the whistle blowing policy.

The AC meets at least 4 times a year and has full access to and co-operation from management and enjoys full discretion to invite any Director and executive officer of the Manager to attend its meetings. The AC has full access to reasonable resources to enable it to discharge its functions properly. The AC is kept abreast of changes to the financial reporting standards and regulatory updates, through briefings by professionals during the quarterly meetings, or as and when appropriate.

The AC meets with the internal and external auditors, without the presence of management, at least once a year.

Attendance at the AC meetings in FY2016 is set out on page 31 of this Annual Report.

In FY2016, the AC:

- (i) held four meetings during the year;
- (ii) reviewed and approved the Internal and External Audit Plans, including the nature and scope of work before commencement of these audits;
- (iii) reviewed and approved the Enterprise Risk Assessment Report;

Corporate Governance Report

- (iv) met with the internal and external auditors without the presence of management, to discuss their findings as set out in their respective reports to the AC. Both the internal and external auditors had confirmed that they had received the full co-operation of management and no restrictions were placed on the scope of audits;
- (v) reviewed and recommended to the Board, the quarterly and full-year financial statements and audit report;
- (vi) reviewed all services provided by the external auditors and were satisfied that the provision of such services did not affect their independence. The external auditors had also affirmed their independence in their report to the AC;
- (vii) reviewed related party/interested person transactions on a quarterly basis;
- (viii) reviewed and determined the adequacy and effectiveness of risk management and internal control systems, including financial, operational, compliance and information technology controls and made the requisite recommendation to the Board; and
- (ix) received the Manager's compliance report for FY2016.

In the review of the financial statements for FY2016, the AC had discussed with management the accounting principles that were applied and AC's judgement of matters that might have impact on the financial statements. The following significant matters were discussed with management and the external auditors and reviewed by the AC:

Key Audit Matters	How the AC reviewed these matters and what decisions were made
Valuation of investment properties	<p>The AC had considered the methodology and approach applied by the independent professional valuers in assessing the valuation of investment properties.</p> <p>The AC had reviewed and discussed with management the reasonableness of key assumptions and judgements used in the valuation models, namely, future rental income, discount rates and terminal rates.</p> <p>The AC is satisfied that the accounting policies and treatments are appropriate and in line with the Singapore Financial Reporting Standards and Recommended Accounting Practice 7 "Reporting Framework for Units Trusts" ("RAP 7")</p> <p>The valuation of investment properties was an area of focus for the external auditors. The external auditors had included this item as a key audit matter in its audit report for FY2016. Please refer to page 49 to 50 of this Annual Report.</p>
Revenue recognition of rental income	<p>The AC had reviewed and ensured that the computation of the increment of annual rental for the investment properties is in accordance with the terms of the master lease agreements.</p> <p>The AC is satisfied that the revenue recognition is appropriate and in line with the Singapore Financial Reporting Standards and RAP 7.</p> <p>The revenue recognition of rental income was also an area of focus for the external auditors. The external auditors had included this item as a key audit matter in its audit report for FY2016. Please refer to page 50 of this Annual Report.</p>

The AC had conducted a review of all non-audit services provided by the external auditors and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid/payable to external auditors was S\$339,640, of which audit and non-audit services fees amounted to S\$260,500 and S\$59,140 respectively for the financial year under review.

Corporate Governance Report

RSM Chio Lim LLP audited First REIT and the Singapore subsidiaries. Member firms of RSM International of which RSM Chio Lim LLP is a member, audited the foreign subsidiaries. First REIT is in compliance with Rules 712 and 715 of the Listing Manual.

The AC, with the concurrence of the Board, had recommended the re-appointment of RSM Chio Lim LLP as the external auditors by Unitholders at the forthcoming Annual General Meeting (“AGM”) of First REIT.

INTERNAL AUDIT

The Manager has put in place a system of internal controls of procedures and processes to safeguard First REIT’s assets, Unitholders’ interest as well as to manage risk.

The internal audit function of the Manager is outsourced to Baker Tilly Consultancy (S) Pte Ltd, a member firm of Baker Tilly International. The AC approves the hiring, removal and evaluation of the internal auditors. The internal auditors report directly to the AC on audit matters and to the management on administrative matters. The AC is of the view that the internal auditors are adequately resourced, qualified to perform their function, have appropriate standing within the Group and have maintained their independence from the activities that they audit.

The internal auditors’ activities are guided by the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

During the year, the internal auditors conducted audit reviews based on the Internal Audit Plan approved by the AC and had unfettered access to all the documents, records, properties and personnel of the Manager, including access to the AC. Upon completion of each audit assignment, the internal auditors report their findings and recommendations to management who would respond on the actions to be taken. The internal auditors submit the internal audit reports to the AC for deliberation and also validate the follow up actions taken by management on the audit findings.

INTERNAL CONTROLS

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the interests of Unitholders and the assets of First REIT. The Board also notes that the system of internal controls is designed to manage rather than to eliminate risk of failure to achieve business objectives, as no system of internal controls will preclude all errors and irregularities. The Board believes that the present system of internal controls provides reasonable and adequate safeguard, and is effective against material financial misstatements or losses. The Board performs regular reviews to ensure that the system of internal controls continue to be reasonable, adequate and effective.

Non-compliance and internal control weaknesses are noted by the internal auditors and their recommendations will be reported to the AC. To date, there has been no identified non-compliance or internal control weakness of a material nature.

For the financial year under review, the CEO and the Chief Financial Officer had provided assurance to the Board that the financial records of First REIT have been properly maintained and the financial statements give a true and fair view of the operations and finances and that an effective risk management and internal control system has been put in place.

For FY2016, based on the work performed by the internal auditors, information furnished by management and observations made, the Board with the concurrence of the AC, is of the view that the present risk management systems and internal controls are adequate and effective in addressing financial, operational, compliance and information technology risks. The Manager has complied with Rule 1207(10) of the Listing Manual.

Corporate Governance Report

MANAGEMENT OF BUSINESS RISK

Effective risk management is a fundamental part of First REIT's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests. First REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility of managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board reviews 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. In assessing business risk, the Board considers the economic environment and risk relevant to the property industry. The Board reviews management reports and feasibility studies on individual development projects prior to approving major transactions. Management meets regularly to review the operations of the Manager and First REIT and discuss any disclosure issues.

A risk register is maintained by the Manager to track and monitor risks faced by First REIT in the areas of strategic, operational, financial, compliance and information technology. The risk register is updated on a periodic basis and top-tier risks, as well as risk mitigation measures for top-tier risks, are reported to the AC and the Board for review.

NOMINATING & REMUNERATION COMMITTEE

The NRC, which was established on 15 February 2016, comprises three members, a majority of whom (including the Chairman of the NRC) are Independent Directors and all of whom are Non-Executive Directors.

Mr Wong Gang (Chairman)	(Independent Director)
Mr Albert Saychuan Cheok	(Independent Director)
Mr Ketut Budi Wijaya	(Non-Executive Director)

The NRC meets at least once a year. One NRC meeting was held in FY2016.

The NRC is guided by its terms of reference which sets out its responsibilities, including:

- making recommendations to the Board on all Board appointments, including making recommendations on the composition and size of the Board generally and the balance between Executive and Non-Executive Directors and between Independent and Non-Independent Directors appointed to the Board;
- reviewing and making plans for succession for Directors, in particular for the Chairman of the Board and CEO;
- determining annually, and as and when required, if a Director is independent;
- assessing the performance and effectiveness of the Board as a whole and the Board Committees and the contribution of each Director to the effectiveness of the Board;
- deciding how the Board's performance will be evaluated and proposing objective performance criteria for the Board's approval;
- reviewing the training and professional development of the Board; and
- recommending to the Board a framework of remuneration covering all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, unit-based incentives and awards and benefits-in-kind for each member of the Board and key management personnel.

Corporate Governance Report

As part of the search and nomination process for new Directors, the NRC will identify the relevant or desired skills and experience which candidates should possess and may engage independent search companies if necessary, as well as leverage on business and other contacts.

The Manager believes that Board performance is ultimately reflected in the long-term performance of First REIT. The Board has in place a process for evaluating the performance of the Board as a whole. A collective assessment is conducted annually by means of a questionnaire individually completed by each Director. The results of this assessment is collated and discussed by the NRC and the Board. Based on feedback from the Directors in the questionnaire, recommendations are implemented to further enhance the effectiveness of the Board, where appropriate. The Board believes that collective Board performance and that of individual Board members are reflected in their proper guidance, diligence oversight and leadership which the Board provides to management and the long-term performance of First REIT. The Board is also able to assess the Board Committees through their regular reports to the Board on their activities.

As part of the assessment of performance and composition of the Board for FY2016, the Board, after taking into account the NRC's views, is satisfied that it has the appropriate size and mix of expertise and experience, taking into account the skills, experience, knowledge and contribution of the Directors in the financial year, including the level of attendance and participation at Board meetings.

The NRC has determined that a Director may hold a maximum of ten listed company board representations. Notwithstanding the Directors have multiple listed company board representations and/or other principal commitments, the NRC has assessed the individual Directors on their continuous contribution and commitment to the role and considered factors including but not limited to the full attendance of each Director at all the Board meetings in FY2016. Accordingly, it is satisfied that each Director has devoted sufficient time and attention and is able to and has adequately carried out his duties as a Director of the Manager.

Director Independence

The independence of each Independent Director is reviewed annually by the NRC based on the criteria as set out in the Code. The Independent Directors are required to declare their independence annually and disclose any relationships or appointments which would impair their independence to the Board.

The Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. Both Mr Albert Saychuan Cheok and Mr Goh Tiam Lock were first appointed to the Board on 17 May 2006 and have served more than nine years on the Board.

The NRC and the Board are of the view that Mr Cheok and Mr Goh had contributed significantly to the discussions and demonstrated independent judgement in the discharge of their duties at Board and Board Committee meetings. Mr Cheok and Mr Goh both expressed individual points of view and objectively reviewed and scrutinised management's proposals. The NRC and the Board are not aware of any factors that would impair Mr Cheok and Mr Goh's independence and concluded that both Mr Cheok and Mr Goh be considered independent.

For FY2016, on the basis of the declarations of independence provided by the Independent Directors and the review of the NRC, the Board has determined that Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Wong Gang are Independent Directors as contemplated by the Code.

The criteria of the definition of "Independent Director" under the amended Securities and Futures (Licensing and Conduct of Business) Regulations ("**Regulations**") will be applicable to the Manager after the forthcoming AGM of First REIT. The Manager will be adopting the criteria of the definition of "Independent Director" as contemplated by the Regulations.

Corporate Governance Report

Remuneration Matters

The Manager, not First REIT, remunerates all Directors and employees of the Manager. The NRC sets the remuneration framework of the Manager, taking into account industry practices, responsibilities and contributions and other conditions within the industry in relation to the Directors' remuneration.

Remuneration of Non-Executive Directors

The remuneration for each Non-Executive Director takes into account the relevant Directors' contribution and responsibilities, including attendance and time spent at Board and Board Committee meetings. The following are the components of the fee structure for Non-Executive Directors:

- 1) Base fee for membership of the Board
- 2) Fee for chairing the Board
- 3) Base fee for membership of the Board Committee
- 4) Fee for chairing the Board Committee
- 5) Attendance fees for meeting and offsite meeting

Remuneration of Non-Executive Directors for FY2016

	Directors Fees (S\$)
Mr Albert Saychuan Cheok	123,000
Mr Goh Tiam Lock	72,500
Mr Wong Gang	77,500
Mr Ketut Budi Wijaya	63,000

The NRC had recommended to the Board a total amount of S\$336,000 as Directors' fees for the financial year ending 31 December 2017, to be paid quarterly in arrears. This recommendation had been endorsed by the Board and will be tabled for approval at the Manager's forthcoming AGM for shareholder approval.

Remuneration of Executive Director/CEO

The Manager advocates a performance-based remuneration package for the CEO. The CEO has a service agreement with the Manager and his remuneration and terms of appointment were negotiated and recommended by the NRC and is endorsed by the Board. The remuneration of the CEO comprises fixed salary, performance bonus and other benefits (such as transport allowance and car benefit).

The CEO's performance bonus and increment are based on an annual appraisal exercise. The annual appraisal takes into consideration the contribution of the CEO towards the long-term strategic goals of First REIT and the Manager, including key factors such as:

- 1) Unit price performance and distribution per unit yield;
- 2) Containment of corporate and operation costs;
- 3) Effective capital management, including competitive cost of funds and fund raising fees;
- 4) Efforts to improve and maximize profit at Manager and REIT levels; and
- 5) Effectiveness and productivity of acquisitions from Sponsor/Group and third parties.

Corporate Governance Report

For the avoidance of doubt, Dr Ronnie Tan Keh Poo was not involved in the decision of the Board on his own remuneration. A breakdown in percentage of the aggregate remuneration of Dr Ronnie Tan Keh Poo is set out below:

Remuneration of CEO for FY2016

	Salary	Bonus	Allowances and Benefits	Total
<u>Between S\$750,000 to S\$1,000,000</u>				
Dr Ronnie Tan Keh Poo	58.2%	39.2%	2.6%	100%

The Manager is aware of the Code's requirement to disclose the exact quantum of the remuneration of the CEO. The Board has assessed and decided against the disclosure of the exact quantum of the CEO and has instead disclosed the remuneration of the CEO in bands of S\$250,000. The Manager believes that such disclosure is sufficient for providing transparency to Unitholders without prejudicing the interests of Unitholders. In view of the highly competitive REIT management industry, the Manager believes that opting not to disclose the exact quantum of the remuneration of the CEO will minimise the risk of potential staff movements and loss of key personnel which would cause undue disruptions to the management of First REIT and which would not be in the interests of Unitholders.

Remuneration of Key Management Personnel

The remuneration of key management personnel comprises fixed salary, performance bonus and other benefits (such as transport allowance).

The remuneration of key management personnel (excluding the CEO) is also based on the annual appraisal of each individual's performance and his/her contribution towards the long-term strategic goals of First REIT and the Manager. In particular, the performance bonus is linked to the performance of the REIT and the Manager. It is assessed based on the improvement in the net property income, distributable amount and distribution per unit of First REIT over the preceding year and as such, it is aligned with the interests of Unitholders.

Remuneration of Key Management Personnel for FY2016:

	Salary	Bonus	Allowances and Benefits	Total
<u>Between S\$250,000 to S\$500,000</u>				
Tan Kok Mian Victor	69.7%	23.3%	7.0%	100%
Chan Seng Leong Jacky	71.5%	23.9%	4.6%	100%

The Code also encourages the disclosure of the remuneration of the top five key management personnel (who are not directors or the CEO) on a named basis in bands of S\$250,000; as well as the aggregate remuneration paid to the said key management personnel. The Board has identified only two key management personnel because only these two executives have the authority and responsibility to assist the CEO in planning, directing and controlling the activities of the Manager. Due to the wage disparities in the highly competitive REIT management industry and the likely competitive pressures, the Board has decided against the disclosure of the aggregate remuneration paid to the key management personnel. The Board is of the view that the disadvantage of such disclosure in terms of risk of potential staff movement and loss of key personnel will outweigh the benefits to Unitholders.

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There is no existing service agreement entered into by the Directors or key management personnel with the Manager that provides for benefits upon termination of appointment or post-employment. The Manager has also not set aside nor accrued any amounts to provide for pension, retirement or similar benefits for the Directors and key management personnel.

The Manager currently does not have any unit/share option scheme or unit/share plan. The remuneration of the Directors, the CEO and the key management personnel is in cash.

No Director or executive is involved in the deliberation and decision in respect of his own individual fees/remuneration.

No remuneration consultants were engaged in FY2016. The NRC may seek expert advice from remuneration consultants on remuneration matters, as and when necessary.

There were no employees of the Manager and its subsidiaries who were immediate family members of a Director or the CEO in FY2016. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent.

DEALINGS IN FIRST REIT UNITS

The Manager has adopted a Code of Best Practices on Units Transactions, which provides guidance to its Directors and employees with regard to the dealing of Units in First REIT ("**Units**"). In general, the Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in such Units:

- on short-term considerations;
- during the period commencing one month before the public announcement of First REIT's full year results and (where applicable) property valuation 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 valuation; and
- at any time while in possession of price sensitive information.

In addition, as part of its undertaking to the MAS, the Manager has undertaken that it will not deal in Units during the period commencing one month before the public announcement of First REIT's full year results and (where applicable) property valuation 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 valuation.

The Manager has complied with Rule 1207(19) of the Listing Manual.

DEALING WITH CONFLICT OF INTEREST

The Manager has instituted the following procedures to deal with potential conflicts of interest issues, which the Manager may encounter, in managing First REIT:

- 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 half of the Board shall comprise Independent Directors; and

Corporate Governance Report

- 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 interest will abstain from participating in any discussion or voting. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude the 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 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 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 any action it deems necessary to protect the right of Unitholders and/or which is in the interest 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.

WHISTLE BLOWING POLICY

The AC has put in place procedures to provide employees of the Manager and any other person with well defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to First REIT or the Manager, and for the independent investigation of any reports and appropriate follow up action. The aim of the whistle blowing policy is to encourage the reporting of such matters in good faith, with the confidence that the person making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

RELATED PARTY TRANSACTIONS

The Manager has established procedures to ensure that all Related Party Transactions are undertaken on normal commercial terms and not prejudicial to the interests of First REIT and the Unitholders. As a general rule, the Manager must demonstrate to its AC 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).

In addition, 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\$100,000.00 in value but below 3.0% of the value of First REIT's net tangible assets will be subject to review by the AC 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 review and prior approval of the AC. 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 AC which may, as it deems fit, request advice on the transactions from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Corporate Governance Report

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 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 and 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) as well as such other guidelines as may be from time to time prescribed by the MAS or SGX-ST to apply to real estate investment trusts.

Role of the Audit Committee for Related Party Transactions

All Related Party Transactions will be subject to regular periodic reviews by the AC. The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on arm's length basis and on normal commercial terms and are not prejudicial to the interests of First REIT and the Unitholders.

The Manager maintains a register to record all Related Party Transactions (and the bases, including any quotations from unrelated third parties and independent valuations obtained to support such bases, on which they are entered into) which are entered into by First REIT. The Manager incorporates into its internal audit plan a review of all Related Party Transactions entered into by First REIT. The AC reviews the internal audit reports 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. The AC periodically reviews all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Guidelines and/or the Listing Manual. The review includes the examination of the nature of the transactions and its supporting documents or such other data deemed necessary by the AC.

If a member of the AC has an interest in a transaction, he is required to abstain from participating in the review and approval process in relation to that transaction.

The Manager discloses in First REIT's annual report the aggregate value of Related Party Transactions entered into during the relevant financial year.

COMMUNICATION WITH UNITHOLDERS

The Listing Manual requires that a listed entity discloses to the market matters that would likely have a material effect on the price of the entity's securities. The Manager strives to uphold a strong culture of timely disclosure and transparent communication with Unitholders and the investing community.

The Manager's disclosure policy requires timely and full disclosure of all material information relating to First REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on First REIT's website at www.first-reit.com.

The Manager maintains an active dialogue with Unitholders and also conducts regular briefings for analysts and media representatives, which generally coincide with the release of First REIT's results. During these briefings, management will review First REIT's most recent performance as well as discuss the business outlook for First REIT. The Manager assesses feedback from Unitholders and implements suggestions where feasible. One such implementation is the Distribution Reinvestment Plan ("**DRP**") which gives Unitholders the option to acquire fully paid units in First REIT without incurring additional transactional costs, in lieu of cash amount of any distribution that the DRP applies.

Corporate Governance Report

In line with the Manager's objective of transparent communication, briefing materials are released through SGX-ST via SGXNET and also made available on First REIT's website at www.first-reit.com.

Unitholders are accorded the opportunity to raise relevant questions on First REIT's business activities, financial performance and other business related matters and to communicate their views at the general meetings. The Directors, Chairmen of the Board Committees, representative(s) from the Trustee, external auditors, company secretary and other professionals attend the annual general meetings to address Unitholders' queries. Unitholders are encouraged to participate in the question and answer sessions, whereby minutes of the proceedings, including any substantial queries raised by Unitholders in relation to the agenda and the accompanying responses from the Board and management, are subsequently prepared.

Registered Unitholders who are unable to attend general meetings can appoint up to 2 proxies to attend, participate and vote in general meetings on his/her behalf. Corporations providing nominee and custodial services can appoint more than 2 proxies to attend, participate and vote in general meetings on behalf of Unitholders who hold Units through such corporations.

As recommended by the Code, all resolutions at general meetings are voted on by way of poll. This allows all Unitholders present or represented at the meetings to vote on a one-Unit-one-vote basis. At general meetings, Unitholders are briefed on the voting procedures and the results of all votes cast for or against each resolution with the respective percentages are announced at the meeting and on the SGXNET after the meeting. All polls are conducted in the presence of independent scrutineers.

Corporate Governance Report

DIRECTORSHIPS IN LISTED COMPANIES AND PRINCIPAL COMMITMENTS

(As at 15 March 2017)

Name of Director	Directorships in Listed Companies/ Principal Commitments	Appointment
Albert Saychuan Cheok	Bowsprit Capital Corporation Limited (as Manager of First REIT)	Chairman and Independent Non-Executive Director
	LMIRT Management Ltd (as manager of Lippo Malls Indonesia Retail Trust ("LMIR Trust"))	Chairman and Independent Non-Executive Director
	HongKong Chinese Limited	Non-Executive Director
	Malaysian Institute of Corporate Governance	Member, Board of Governance
	Amplefield Limited	Chairman and Independent Non-Executive Director
	Auric Pacific Group Limited	Chairman and Independent Non-Executive Director
	International Standard Resources Holdings Limited	Chairman and Independent Non-Executive Director
	Adavale Resources Limited	Non-Executive Director
Goh Tiam Lock	China Aircraft Leasing Group Holdings Limited	Non-Executive Director
	Bowsprit Capital Corporation Limited (as Manager of First REIT)	Independent Non-Executive Director
	LMIRT Management Ltd (as manager of LMIR Trust)	Independent Non-Executive Director
	Lock Property Consultants Pte Ltd	Managing Director
Dr Ronnie Tan Keh Poo	Strata Titles Boards	Member
	Bowsprit Capital Corporation Limited (as Manager of First REIT)	Chief Executive Officer
Wong Gang	Bowsprit Capital Corporation Limited (as Manager of First REIT)	Independent Non-Executive Director
	JEP Holdings Limited	Independent Non-Executive Director
	Renewable Energy Asia Group Limited	Independent Non-Executive Director
	Shook Lin & Bok LLP	Partner
Ketut Budi Wijaya	Bowsprit Capital Corporation Limited (as Manager of First REIT)	Non-Executive Director
	LMIRT Management Ltd (as manager of LMIR Trust)	Non-Executive Director
	Peninsula Investment Limited	Non-Executive Director
	PT Lippo Karawaci Tbk	President Director
	PT Lippo Cikarang Tbk	Vice President Commissioner
	PT Gowa Makassar Tourism Development Tbk	President Commissioner
PT Jababeka Tbk	Commissioner	

Past Directorships held over the preceding 3 years:

Mr Albert Saychuan Cheok – Metal Reclamation Bhd, Macau Chinese Bank Limited and AcrossAsia Limited; Dr Ronnie Tan Keh Poo – Auric Pacific Group Limited; and Ketut Budi Wijaya – PT Siloam International Hospitals Tbk.

Corporate Governance Report

ADDITIONAL INFORMATION

Manager's Management Fees

Pursuant to clauses 14.1.1 and 14.1.2 of the Trust Deed, the Manager is entitled to (i) a base fee of 0.4% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed ("**Deposited Property**"), and (ii) an annual performance fee of 5.0% per annum of the Net Property Income (as defined in the Trust Deed) (which is to be calculated before accounting for this additional fee in that financial year) of the Trust or (as the case may be) the Net Property Income of the relevant Special Purpose Vehicles (as defined in the Trust Deed) for each financial year.

Pursuant to clauses 14.1.1 and 14.1.2 of the Trust Deed, the management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

Pursuant to clause 14.1.4 of the Trust Deed, the Manager's management fees are payable quarterly in arrears.

For FY2016, breakdown of the management fees was as follows:

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
Base fees	5,292	4,917
Performance fees	5,292	4,964
	10,584	9,881

With effect from 1 January 2016, under the Property Funds Appendix of the CIS Code, crystallisation of the annual performance fee has been revised to be no frequent than once a year. Accordingly, from 1 January 2016 onwards, the Manager's performance fee is payable once a year after completion of the audited financial statements for the relevant financial year in arrears.

Pursuant to clause 14.2 of the Trust Deed, the Manager is also entitled to receive an acquisition fee at the rate of 1.0% of acquisition price and a divestment fee of 0.5% of sale price on all acquisitions or disposals of properties respectively.

Justification of Fees Payable to the Manager

1. Base fee

The Manager receives a base fee of 0.4% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed, representing the remuneration to the Manager for executing its core responsibility. The base fee compensates the Manager for the costs incurred in managing First REIT, which includes day-to-day operational costs, compliance costs and costs incurred in managing and monitoring the portfolio. The base fee is calculated at a fixed percentage of asset value as the scope of the Manager's duties is commensurate with the size of First REIT's asset portfolio.

Since First REIT's listing on 11 December 2006, the Manager has taken active steps to keep its portfolio relevant and adaptable to the changing economic and environmental landscapes.

As at 31 December 2016, First REIT's existing portfolio comprises eighteen properties comprising fourteen located in Indonesia, three in Singapore and one in South Korea, and has a combined gross floor area of 314,311 square metres and valuation of S\$1.27 billion.

Corporate Governance Report

2. *Performance fee*

The Manager receives an annual performance fee of 5.0% per annum on the Net Property Income of the Trust or (as the case may be) the Net Property Income of the relevant Special Purpose Vehicles (as defined in the Trust Deed) for each financial year.

The performance fee, which is based on Net Property Income, aligns the interests of the Manager with Unitholders as the Manager is motivated and incentivised to achieve income stability by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. Therefore, to achieve sustainability in First REIT's Net Property Income, the Manager is dis-incentivised from taking on excessive short-term risks, and will strive to manage First REIT in a balanced manner.

3. *Acquisition and divestment fees*

In line with the Manager's key objective of managing First REIT for the benefit of Unitholders, the Manager regularly reviews its portfolio of properties and considers the acquisition and/or recycling of assets, where appropriate, to optimise its portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of acquisitions or divestments to First REIT's existing portfolio and future growth expectations.

In undertaking a proposed acquisition, the Manager is expected to spend time and effort in conducting due diligence, structuring the acquisition, negotiating transaction documentation with the vendor, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from the regulators and/or Unitholders (where required). Similarly, in undertaking a proposed divestment, the Manager is expected to spend time and effort in negotiating with the prospective purchaser, structuring the divestment, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from regulators and/or the Unitholders (where required).

The Manager receives an acquisition fee of 1.0% on the acquisition price upon the completion of an acquisition, and a divestment fee of 0.5% on the sale price upon the completion of a divestment. The acquisition fee is higher than the divestment fee because there is additional work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for an acquisition, as compared to a divestment.

The acquisition fees and divestment fees seek to motivate and compensate the Manager for the time, cost and effort spent (in the case of an acquisition) in sourcing, evaluating and executing potential opportunities to acquire new properties to further grow First REIT's asset portfolio or, (in the case of a divestment) in rebalancing and unlocking the underlying value of the existing properties. The Manager provides these services over and above the provision of ongoing management services with the aim of enhancing long-term returns, income sustainability and achieving the investment objectives of First REIT.

As required by the Property Funds Appendix, where acquisition fees or divestment fees are to be paid to the Manager for the acquisition of assets from, or divestment of assets to, an interested party, the acquisition fees or divestment fees are to be paid in the form of units in First REIT issued at the prevailing market price, which should not be sold for a period of one year from their date of issuance. This additional requirement for interested party acquisitions and divestments further aligns the Manager's interests with Unitholders.

Statement of the Trustee

HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”) is under a duty to take into custody and hold the assets of First Real Estate Investment Trust (the “**Trust**”) and its subsidiaries (the “**Group**”) in trust for the holders (“**Unitholders**”) of units in the Trust (the “**Units**”). In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “**laws and regulations**”), the Trustee shall monitor the activities of Bowsprit Capital Corporation Limited (the “**Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 19 October 2006 (subsequently amended by First Supplemental Deed dated 6 September 2007, Second Supplemental Deed dated 19 April 2010, Third Supplemental Deed dated 26 April 2011, Fourth Supplemental Deed dated 1 April 2013 and First Amending and Restating Deed dated 23 March 2016) (the “**Trust Deed**”) between the Manager and the Trustee in each annual financial reporting year and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the financial reporting year covered by these financial statements, set out on pages 53 to 116, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited

.....
Esther Fong
Senior Vice President, Trustee Services

Singapore
21 March 2017

Statement by the Manager

In the opinion of the directors of Bowsprit Capital Corporation Limited (the “**Manager**”), the accompanying financial statements of First Real Estate Investment Trust (the “**Trust**”) and its subsidiaries (the “**Group**”) set out on pages 53 to 116 comprising the statements of total return, statements of distribution, statements of financial position, statements of changes in unitholders’ funds, statements of cash flows, statements of portfolio and summary of significant accounting policies and other explanatory notes of the Group and the Trust, are drawn up so as to present fairly, in all material respects, the financial position and portfolio of the Group and of the Trust as at 31 December 2016, the total return, distributions, changes in unitholders’ funds and cash flows of the Group and of the Trust for the reporting year ended on that date in accordance with the provisions of the Trust Deed and the recommendations of the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
Bowsprit Capital Corporation Limited

.....
Dr Ronnie Tan Keh Poo
Director

Singapore
21 March 2017

Independent Auditor's Report

TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

Report on the audit of the financial statements

Opinion

We have audited the accompanying consolidated financial statements of First Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), set out on pages 53 to 116, which comprise the consolidated statement of financial position and statement of portfolio of the Group and statement of financial position and statement of portfolio of the Trust as at 31 December 2016, the statements of total return, statements of distribution, statements of changes in unitholders' funds and statements of cash flows of the Group and of the Trust for the reporting year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements of the Group and of the Trust are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" ("RAP 7") issued by the Institute of Singapore Chartered Accountants so as to present fairly, in all material respects, the financial positions and portfolio holdings of the Group and of the Trust as at 31 December 2016 and the financial performance and changes in unitholders' funds and cash flows of the Group and the Trust for the reporting year then ended.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Please refer to Note 2A on accounting policies, 2B on critical judgements, assumptions and estimation uncertainties; Note 12 on investment properties and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

The Group owns a portfolio of investment properties which are primarily used for healthcare purposes. The investment properties are stated at fair value of S\$1.27 billion as at 31 December 2016. The valuation of the portfolio is a significant judgement area and the fair values are impacted by a number of assumptions and factors including future rental income, discount rates, and terminal rates. All the valuations are carried out by professionally qualified external valuers who perform their work in accordance with international valuation professional standards. The investment properties are mainly valued through the use of expected future cash flows of each investment property over the years and discounted by a discount rate. The valuation exercise also relies on the accuracy of the underlying leases and financial information provided to the valuers by the Manager.

We assessed the processes used by management including the selection of the external valuers and the review of the valuations reported by these valuers. The valuers engaged by the Manager have considerable experience in the markets in which the properties are located.

Independent Auditor's Report

TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

Valuation of investment properties (continued)

With assistance from our own valuation specialist, we assessed the independence, competence and experience of the external valuers. We obtained all the valuers' reports and confirmed that the valuations were performed in accordance with international valuation professional standards and are appropriate by reference to acceptable valuation practice, Financial Reporting Standard No. 40: Investment Property and Financial Reporting Standard No. 113: Fair Value Measurement.

We discussed with the Manager and challenged the valuation process and performance of the sampled properties, and key assumptions by benchmarking to external market data and understanding of the reasons for significant or unusual movement with reference to the key assumptions noted above. We compared the information provided by management to the external valuers, such as rental income and property costs, to supporting documentation. We also considered the adequacy of the disclosures about the degree of critical judgement and estimation made when valuing these properties.

The key assumptions applied in measuring the fair values of the investment properties are within an acceptable range and are supportable in light of available and comparable market evidence.

Appropriateness of revenue recognition

Please refer to Note 2A on accounting policies, 2B on critical judgements, assumptions and estimation uncertainties; Note 4 on revenue and the annual report on the section on the audit committee's views and responses to the reported key audit matters.

Rental income earned on the Group's investment properties totalled S\$107 million for the year ended 31 December 2016. It is based on tenancy agreements where there is a standard process in place for revenue recognition. However, there are certain transactions within revenue that warrant additional audit focus and have an inherent risk of error as they are impacted by specific terms and conditions in the relevant tenancy agreements. Generally, annual rental income comprise of both base rent and variable rent, where applicable. The base rent is subject to an increase every year, subject to a floor of zero percentage and a cap of an agreed percentage. The variable rent is calculated based on a percentage of the lessees' gross revenue based on the growth of its gross revenue in the preceding calendar year over the further preceding year.

As part of our audit of revenue, we focused on any unusual or complex adjustments to revenue, by reviewing its key terms and conditions of a sample of underlying tenancy agreements. We recalculated the required adjustment to the annual rental income in relation to these terms and conditions to determine whether the correct amount of revenue had been recognised in the reporting year. The Group's accounting policies in relation to revenue recognition were in line with Singapore Financial Reporting Standards and RAP 7.

Other information

Management is responsible for the other information. The other information comprises the information included in the statement of the trustee, statement by the manager and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

Responsibilities of the Manager for the consolidated financial statements

Bowsprit Capital Corporation Limited (the “**Manager**” of the Trust, or “**management**”) is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The management's responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

Auditor's responsibilities for the audit of the financial statements (continued)

- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lock Chee Wee.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

21 March 2017

Engagement partner - effective from year ended 31 December 2014

Statements of Total Return

YEAR ENDED 31 DECEMBER 2016

	Notes	Group		Trust	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Gross revenue	4	107,017	100,698	60,515	55,860
Property operating expenses	5	(1,182)	(1,422)	(253)	(234)
Net property and dividend income		105,835	99,276	60,262	55,626
Interest income		1,131	231	1,890	1,903
Manager's management fees	6	(10,584)	(9,881)	(10,584)	(9,881)
Trustee fees	3	(398)	(372)	(398)	(372)
Finance costs	7	(17,768)	(16,538)	(17,768)	(16,538)
Other expenses	8	(3,318)	(2,738)	(3,411)	(2,639)
Net income before the undernoted		74,898	69,978	29,991	28,099
Net fair value (losses)/gains on investment properties	12	(8,915)	24,168	(1,276)	(1,000)
Gains on divestment of investment property	12	512	-	-	-
Net (losses)/gains in fair value of derivatives financial instruments	25	(2,249)	2,131	(2,249)	2,131
Total return for the year before income tax		64,246	96,277	26,466	29,230
Income tax (expense)/benefit	9	(23,905)	(28,499)	217	159
Total return for the year after income tax		40,341	67,778	26,683	29,389
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations, net of tax		143	598	-	-
Total comprehensive return for the year		40,484	68,376	26,683	29,389
Total return attributable to:					
Unitholders of Trust		38,688	67,778	25,030	29,389
Perpetual securities holders		1,653	-	1,653	-
		40,341	67,778	26,683	29,389
Total comprehensive return attributable to:					
Unitholders of Trust		38,831	68,736	25,030	29,389
Perpetual securities holders		1,653	-	1,653	-
		40,484	68,736	26,683	29,389
Earnings per unit in cents					
Basic and diluted	10	5.04	9.10	N/A	N/A

The accompanying notes form an integral part of these financial statements.

Statements of Distribution

YEAR ENDED 31 DECEMBER 2016

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Amount available for distribution to unitholders at beginning of the year	15,711	14,963	15,711	14,963
Total return for the year after income tax	40,341	67,778	26,683	29,389
Adjustments for tax purposes (Note A)	24,895	(5,873)	38,553	32,516
	65,236	61,905	65,236	61,905
Amount available for distribution to unitholders	80,947	76,868	80,947	76,868
Total distribution paid to unitholders (Note 11)	(64,433)	(61,157)	(64,433)	(61,157)
Amount available for distribution to unitholders at end of the year (Note 11A and Note 30)	16,514	15,711	16,514	15,711
Distribution per unit (cents)	8.47	8.30	8.47	8.30
Note A - Adjustments for tax purposes:				
Manager's management fees settled in units	7,148	6,706	7,148	6,706
Change in fair values of investment properties, net of deferred tax	15,444	(11,326)	1,059	814
Net losses/(gains) in fair value of derivatives financial instruments	2,249	(2,131)	2,249	(2,131)
Capital repayment	-	-	27,600	25,511
Gains on divestment of investment property, net of tax	(122)	-	-	-
Amount reserved for distribution to perpetual securities holders	(1,653)	-	(1,653)	-
Foreign exchange adjustment losses	461	1,283	461	1,283
Other non-tax deductible items and adjustments	1,368	(405)	1,689	333
	24,895	(5,873)	38,553	32,516

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 31 DECEMBER 2016

	Notes	Group		Trust	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
ASSETS					
Non-current assets					
Investment properties	12	1,273,159	1,268,306	36,800	37,900
Investments in subsidiaries	13	-	-	756,461	748,258
Loan receivable, non-current	16	-	-	49,138	53,330
Deferred tax assets	9	971	754	971	754
Other receivable, non-current	14	18,035	-	-	-
Derivatives financial instruments	25	-	2,131	-	2,131
Total non-current assets		1,292,165	1,271,191	843,370	842,373
Current assets					
Trade and other receivables, current	15	11,754	14,512	7,270	2,453
Loan receivable, current	16	-	-	4,191	4,823
Other assets, current	17	3,680	2,632	51	328
Cash and cash equivalents	18	33,576	26,827	22,719	23,606
Total current assets		49,010	43,971	34,231	31,210
Total assets		1,341,175	1,315,162	877,601	873,583
Non-current liabilities					
Deferred tax liabilities	9	48,849	42,104	-	-
Other financial liabilities, non-current	22	271,642	398,291	271,642	398,291
Derivatives financial instruments	25	118	-	118	-
Total non-current liabilities		320,609	440,395	271,760	398,291
Current liabilities					
Income tax payable	9A	1,194	778	-	-
Trade and other payables, current	23	16,879	17,360	26,872	27,716
Other financial liabilities, current	22	141,967	44,274	141,967	44,274
Other liabilities, current	24	21,947	21,254	1,888	1,865
Total current liabilities		181,987	83,666	170,727	73,855
Total liabilities		502,596	524,061	442,487	472,146
Represented by:					
Issued equity	19A	423,654	439,045	423,654	439,045
Retained earnings/(accumulated losses)	19A	352,355	350,507	(49,418)	(37,608)
Foreign exchange reserve	19A	1,692	1,549	-	-
Net assets attributable to unitholders		777,701	791,101	374,236	401,437
Perpetual securities holders	20	60,878	-	60,878	-
Net assets attributable to perpetual securities holders		60,878	-	60,878	-
Net assets values		838,579	791,101	435,114	401,437
Units in issue ('000)	19	771,579	761,567	771,579	761,567
Net asset value per unit in cents attributable to unitholders	19	100.79	103.88	48.50	52.71

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Unitholders' Funds

YEAR ENDED 31 DECEMBER 2016

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
OPERATIONS				
Balance at 1 January	791,101	744,950	401,437	394,273
Total return attributable to unitholders of Trust	40,341	67,778	26,683	29,389
UNITHOLDERS' TRANSACTIONS				
Purchase of investment property paid in units (Note 19)	-	21,000	-	21,000
Manager's management fees settled in units	4,459	6,823	4,459	6,823
Manager's divestment fees settled in units	39	-	39	-
Distribution settled in units	7,704	11,109	7,704	11,109
Change in net assets resulting from creation of units	12,202	38,932	12,202	38,932
Amount reserved for distribution to perpetual securities holders	(1,653)	-	(1,653)	-
Distributions to unitholders (Note 11)	(64,433)	(61,157)	(64,433)	(61,157)
Net decrease in net assets resulting from unitholders' transactions	(53,884)	(22,225)	(53,884)	(22,225)
FOREIGN EXCHANGE RESERVE				
Net movement in other comprehensive income	143	598	-	-
Total unitholders' funds at 31 December	777,701	797,101	374,236	401,437
PERPETUAL SECURITIES				
Balance at 1 January	-	-	-	-
Issue of perpetual securities	60,000	-	60,000	-
Issue expenses	(775)	-	(775)	-
Total return attributable to perpetual securities holders	1,653	-	1,653	-
Balance at 31 December	60,878	-	60,878	-
Total	838,579	791,101	435,114	401,437

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

YEAR ENDED 31 DECEMBER 2016

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Cash flows from operating activities:				
Total return before income tax	64,246	96,277	26,466	29,230
Interest income	(1,131)	(231)	(1,890)	(1,903)
Interest expense	16,076	15,103	16,076	15,103
Amortisation of borrowing costs	1,692	1,435	1,692	1,435
Foreign exchange adjustment loss	461	1,283	461	1,283
Gains on divestment of investment property	(512)	-	-	-
Dividend income	-	-	(56,754)	(52,173)
Net losses/(gains) in fair value of investment properties	8,915	(24,168)	1,276	1,000
Net losses/(gains) in fair value of derivatives financial instruments	2,249	(2,131)	2,249	(2,131)
Manager's management fees settled in units	3,578	6,706	3,578	6,706
Operating cash flows before changes in working capital	95,574	94,274	(6,846)	(1,450)
Trade and other receivables, current	2,677	(5,503)	(4,829)	(5)
Other assets, current	(1,048)	(75)	277	(150)
Trade and other payables, current	520	569	155	(3,634)
Other liabilities	693	371	23	(890)
Net cash flows from/(used in) operating activities before income tax	98,416	89,636	(11,220)	(6,129)
Income taxes paid	(16,960)	(15,325)	-	-
Net cash flows from/(used in) operating activities	81,456	74,311	(11,220)	(6,129)
Cash flows from investing activities:				
Increase in investment properties	(21,208)	(56,542)	(176)	(201)
Net movements in amounts due from subsidiaries	-	-	84,353	77,684
Acquisition of subsidiaries	-	-	(30,979)	(56,957)
Interest received	1,147	226	1,907	1,899
Net proceeds from divestment of investment property	8,161	-	-	-
Progress payment for Siloam Hospitals Surabaya	(18,035)	-	-	-
Net cash flows (used in)/from investing activities	(29,935)	(56,316)	55,105	22,425
Cash flows from financing activities:				
Distribution to unitholders (Note 19)	(56,729)	(50,048)	(56,729)	(50,048)
Increase in borrowings	25,945	70,774	25,945	70,774
Repayment of borrowings	(57,000)	(26,500)	(57,000)	(26,500)
Interest paid	(16,213)	(13,624)	(16,213)	(13,624)
Net proceeds from issuance of perpetual securities	59,225	-	59,225	-
Net cash flows used in financing activities	(44,772)	(19,398)	(44,772)	(19,398)
Net increase/(decrease) in cash and cash equivalents				
	6,749	(1,403)	(887)	(3,102)
Cash and cash equivalents, statement of cash flows, beginning balance	26,827	28,230	23,606	26,708
Cash and cash equivalents, statement of cash flows, ending balance (Note 18)	33,576	26,827	22,719	23,606

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio

AS AT 31 DECEMBER 2016

	Carrying value as at 31.12.2016 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2016 %	Carrying value as at 31.12.2015 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2015 %
Group:				
Investment properties in Indonesia	1,227,100	157.79	1,221,500	154.41
Investment properties in Singapore	36,800	4.73	37,900	4.79
Investment property in South Korea	9,259	1.19	8,906	1.12
Portfolio of investment properties at valuation – total	1,273,159	163.71	1,268,306	160.32
Other net liabilities	(434,580)	(55.88)	(477,205)	(60.32)
Net assets	838,579	107.83	791,101	100.00
Perpetual securities	(60,878)	(7.83)	–	–
Net assets attributable to unitholders	777,701	100.00	791,101	100.00

	Carrying value as at 31.12.2016 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2016 %	Carrying value as at 31.12.2015 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2015 %
Trust:				
Investment properties in Singapore	36,800	9.83	37,900	9.44
Portfolio of investment properties at valuation – total	36,800	9.83	37,900	9.44
Investments in subsidiaries	756,461	202.13	748,258	186.39
Other net liabilities	(358,147)	(95.70)	(384,721)	(95.83)
Net assets	435,114	116.26	401,437	100.00
Perpetual securities	(60,878)	(16.26)	–	–
Net assets attributable to unitholders	374,236	100.00	401,437	100.00

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio

AS AT 31 DECEMBER 2016

By Geographical Area

Description of Property/ Location/ Acquisition Date/ Type of Property/ Land Title Type/ Term of Lease ^(a) / Remaining Term of Lease ^(b)	Gross floor area in square metres	Carrying value as at 31.12.2016 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2016 %	Carrying value as at 31.12.2015 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2015 %
Singapore					
Pacific Healthcare Nursing Home @ Bukit Merah 6 Lengkok Bahru, Singapore 159051 11 April 2007, Nursing Home 30 years leasehold from 2002 10+10 years/ 11 years	3,593	10,000	1.29	10,300	1.30
Pacific Healthcare Nursing Home II @ Bukit Panjang 21 Senja Road, Singapore 677736 11 April 2007, Nursing Home 30 years leasehold from 2003 10+10 years/ 11 years	3,563	10,000	1.29	10,300	1.30
The Lentor Residence 51 Lentor Avenue, Singapore 786876 8 June 2007, Nursing Home 99 years leasehold from 1938 10+10 years/ 11 years	4,005	16,800	2.15	17,300	2.19
Portfolio of Investment Properties held under the Trust at Valuation – Sub-total		36,800	4.73	37,900	4.79
Indonesia					
Siloam Hospitals Lippo Village Jalan Siloam No. 6 Lippo Karawaci 1600 Tangerang 15811, Banten, Indonesia 11 December 2006, Hospital Hak Guna Bangunan (“HGB”) 15+15 years/ 20 years	27,284	161,700	20.79	161,400	20.40
Siloam Hospitals Kebon Jeruk Jalan Raya Perjuangan Kav. 8 Kebon Jeruk, Jakarta 11530, Indonesia 11 December 2006, Hospital HGB 15+15 years/ 20 years	18,316	96,000	12.34	94,700	11.97
Siloam Hospitals Surabaya Jalan Raya Gubeng No. 70 Surabaya 60281, Indonesia 11 December 2006, Hospital HGB 15+15 years/ 20 years	9,227	30,190	3.88	33,300	4.21

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio

AS AT 31 DECEMBER 2016

By Geographical Area

Description of Property/ Location/ Acquisition Date/ Type of Property/ Land Title Type/ Term of Lease ^(a) / Remaining Term of Lease ^(b)	Gross floor area in square metres	Carrying value as at 31.12.2016 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2016 %	Carrying value as at 31.12.2015 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2015 %
Indonesia (continued)					
Imperial Aryaduta Hotel & Country Club Boulevard Jenderal Sudirman, Lippo Village 1300, Tangerang 15811, Banten, Indonesia 11 December 2006, Hotel & Country Club HGB 15+15 years/ 20 years	17,427	41,800	5.38	41,900	5.30
Mochtar Riady Comprehensive Cancer Centre Jalan Garnisun Dalam No. 2-3, Semanggi Jakarta 12930, Indonesia 30 December 2010, Hospital HGB 15+15 years/ 24 years	37,933	252,800	32.51	264,300	33.41
Siloam Hospitals Lippo Cikarang Jalan Mohammad Husni Thamrin Kav. 105 Lippo Cikarang, Bekasi, Indonesia 17550 31 December 2010, Hospital HGB 15+15 years/ 24 years	11,125	48,700	6.26	46,700	5.90
Siloam Hospitals Manado & Hotel Aryaduta Manado Jalan Sam Ratulangi No. 22, Komplek Boulevard Center and at Jalan Piere Tendean No. 1 Wenang Utara Sub-District, Wenang District, Manado North Sulawesi Indonesia 95111 30 November 2012, Hospital HGB 15+15 years/ 26 years	36,051	104,300	13.41	104,700	13.23
Siloam Hospitals Makassar Jalan Metro Tanjung Bunga Kav 3-5 Makassar City, South Sulawesi Province, Indonesia 30 November 2012, Hospital HGB 15+15 years/ 26 years	14,307	73,700	9.48	73,400	9.28

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio

AS AT 31 DECEMBER 2016

By Geographical Area

Description of Property/ Location/ Acquisition Date/ Type of Property/ Land Title Type/ Term of Lease ^(a) / Remaining Term of Lease ^(b)	Gross floor area in square metres	Carrying value as at 31.12.2016 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2016 %	Carrying value as at 31.12.2015 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2015 %
Indonesia (continued)					
Siloam Hospitals Bali Jalan Sunset Road No. 818, Kuta, Badung, Bali, Indonesia 13 May 2013, Hospital HGB 15+15 years/ 27 years	20,958	124,700	16.04	124,800	15.78
Siloam Hospitals TB Simatupang Jalan Letjend. TB Simatupang, Jalan R.A. Kartini No. 8, Cilandak, South Jakarta, Indonesia 22 May 2013, Hospital HGB 15+15 years/ 27 years	18,605	119,400	15.35	119,700	15.13
Siloam Hospitals Purwakarta Jalan Raya Bungursari No. 1, Purwakarta, West Java, Indonesia 28 May 2014, Hospital HGB 15+15 years/ 28 years	8,254	41,000	5.27	39,100	4.94
Siloam Sriwijaya Jalan POM IX, Komplek Palembang Square, Palembang, South Sumatra, Indonesia 29 December 2014, Hospital Strata Title on Build, Operate and Transfer scheme 15+15 years/ 28 years	15,709	42,700	5.49	42,100	5.32
Siloam Hospitals Kupang & Lippo Plaza Kupang Jalan Veteran, No. 4, Arena Pameran Fatululi, Kupang, East Nusa Tenggara, Indonesia 14 December 2015, Hospital/Mall Build, Operate and Transfer scheme 15+15 years/ 29 years	55,368	69,530	8.94	75,400	9.53

The accompanying notes form an integral part of these financial statements.

Statements of Portfolio

AS AT 31 DECEMBER 2016

By Geographical Area

Description of Property/ Location/ Acquisition Date/ Type of Property/ Land Title Type/ Term of Lease ^(a) / Remaining Term of Lease ^(b)	Gross floor area in square metres	Carrying value as at 31.12.2016 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2016 %	Carrying value as at 31.12.2015 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2015 %
Indonesia (continued)					
Siloam Hospitals Labuan Bajo Jalan Gabriel Gampur, Labuan Bajo, West Manggarai Regency, East Nusa Tenggara, Indonesia 30 December 2016, Hospital HGB 15+15 years/ 30 years	7,604	20,580	2.65	-	-
South Korea					
Sarang Hospital No. 9 Bongsannam 3rd Street, Yeosu City Jeonranam-do, South Korea 5 August 2011, Hospital Freehold 10+10 years/ 15 years	4,982	9,259	1.19	8,906	1.13
Portfolio of Investment Properties at Valuation Held under the Group – Total		1,273,159	163.71	1,268,306	160.32

Notes:

- ^(a): Refers to the tenure of underlying land except for Siloam Sriwijaya and Siloam Hospitals Kupang & Lippo Plaza Kupang which is held on a strata title basis under a Build, Operate and Transfer (“BOT”) scheme and under a BOT scheme respectively.
- ^(b): Remaining terms of lease includes option to renew the land leases except for Siloam Sriwijaya and Siloam Hospitals Kupang & Lippo Plaza Kupang which are held under strata title basis under a BOT scheme and under a BOT scheme respectively.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

31 DECEMBER 2016

1. GENERAL

First Real Estate Investment Trust (the “**Trust**”) is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 October 2006 (“**Trust Deed**”) (subsequently amended by First Supplemental Deed dated 6 September 2007, Second Supplemental Deed dated 19 April 2010, Third Supplemental Deed dated 26 April 2011, Fourth Supplemental Deed dated 1 April 2013 and First Amending and Restating Deed dated 23 March 2016) entered into between Bowsprit Capital Corporation Limited (the “**Manager**”) and HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”), governed by the laws of Singapore.

The Trust is listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The principal activity of the Trust and its subsidiaries (the “**Group**”) is to invest in a portfolio of income producing real estate properties, which are primarily used for healthcare and healthcare-related purposes. The primary objective is to deliver regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit.

The registered office of the Manager is: 50 Collyer Quay #06-01 OUE Bayfront Singapore 049321.

The financial statements were approved and authorised for issue by the board of directors of the Manager on 21 March 2017. The financial statements are for the Trust and the Group.

The current liabilities are more than the current assets. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements. In addition the notes to the financial statements include the Group’s objectives, policies and processes for managing its capital; financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk. The Group’s forecasts and projections, taking into account of reasonably possible changes in performance, show that the Group should be able to operate within the level of its current facility. The Group has considerable financial resources together with some good arrangements with the bankers, tenants and suppliers. As a consequence, the Manager believes that the Group is well placed to manage its business risks successfully. Accordingly, the management continues to adopt the going concern basis in preparing the financial statements.

Accounting convention

The financial statements have been prepared in accordance with the recommendations of the Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“**RAP 7**”) issued by the Institute of Singapore Chartered Accountants 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. RAP 7 requires that the accounting policies should generally comply with the principles relating to recognition and measurement of the Financial Reporting Standards (“**FRSs**”) issued by the Accounting Standards Council.

Notes to the Financial Statements

31 DECEMBER 2016

1. GENERAL (CONTINUED)

Accounting convention (continued)

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods. The financial statements are prepared on a going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

The financial statements are presented in Singapore dollars, recorded to the nearest thousand, unless otherwise stated.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Trust and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and 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 cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within unitholders' funds as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

Basis of preparation of the financial statements

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 year. 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.

Notes to the Financial Statements

31 DECEMBER 2016

1. GENERAL (CONTINUED)

Net assets attributable to unitholders

RAP 7 requires that the units are recognised on initial recognition as equity. The net assets attributable to unitholders comprise the residual interest in the assets of the unit trust after deducting its liabilities. Under RAP 7, distributions are accrued for at the reporting year end date if the Manager has the discretion to declare distributions without the need for unitholder or Trustee approval and a constructive or legal obligation has been created. Distributions to unitholders have been recognised as liabilities when they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the ordinary activities of the entity and it is shown net of any related sales taxes and discounts. Revenue from rendering of services that are of short duration is recognised when the services are completed. Revenue is recognised as follows:

Rental income from operating leases

Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the leased term.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset.

Dividend income

Dividend from an equity instrument is recognised as income when the entity's right to receive payment is established.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that 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.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (continued)

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. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in unitholders' funds if the tax is related to an item recognised directly in unitholders' funds.

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 end of the reporting year 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 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 or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Foreign currency transactions

The functional currency of the Trust is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in unitholders' funds such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of foreign entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of unitholders' funds until the disposal of that relevant reporting entity.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (continued)

Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the Trust's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisition during the reporting year.

Investment properties

Investment property is property (land or a building or part of a building or both) 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. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the fair value model is used to measure the investment property at fair value as of the end of the reporting year. A gain or loss arising from a change in the fair value of investment property is included in profit or loss for the reporting year in which it arises. The fair values are measured 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.

Unit-based payments

The issued capital is increased by the fair value of units issued for the transaction.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (continued)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured 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, 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 reporting year 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 reporting years 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 profit or loss 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 profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 end of the reporting year 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 measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (continued)

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: Assets are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to assets at fair value through profit or loss are recognised directly in profit or loss.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred 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. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (continued)

Financial assets (continued)

3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.
4. Available-for-sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (continued)

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement.

The Group and Trust's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements categorise the inputs to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

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. A provision is made using best estimates of the amount required in settlement 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. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Units and Perpetual securities

Proceeds from the issuance of units and perpetual securities are recognised as equity. Issue expenses relating to issuance of units and perpetual securities are deducted directly from the net assets attributable to the unitholders and perpetual securities holders respectively.

Notes to the Financial Statements

31 DECEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2B. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the 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 end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Fair value of investment properties:

The Group carries the investment properties at fair value in the statement of financial position and engages professionally qualified external valuers to undertake annual valuations. The determination of fair value of the investment properties are based on certain calculations which require the use of estimates and assumptions in relation to factors such as future rental income, future cash flow, and suitable discount rate in Note 12.

Revenue recognition:

Certain transactions require management to make judgements as to whether, and to what extent, revenue should be recognised. Management considers whether it is probable that the economic benefits associated with the transactions will flow to the Group. These complexities include the calculation of variable components of base rent and variable rent.

Income tax amounts:

The Group recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the Note 9 on income tax.

Deferred tax: recovery of underlying assets:

The deferred tax relating to an asset is dependent on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model or revaluation model for investment property or when fair value is required or permitted by a FRS for a non-financial asset. Management has taken the view that as there is clear evidence that it will consume the relevant asset's economic benefits throughout its economic life. The amount is in the Note 9 on income tax.

Allowance for doubtful trade and other receivables:

An allowance is made for doubtful trade and other receivables for estimated losses resulting from the subsequent inability of the customers and debtors to make required payments.

Notes to the Financial Statements

31 DECEMBER 2016

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3A. Related party transactions (continued):

The lessees of the Indonesian properties are subsidiaries of PT Lippo Karawaci Tbk. The lessees have provided bank guarantees of S\$45,562,000 (2015: S\$43,868,000) in lieu of the security deposits for rental income from the properties. These guarantees which expired in May, November and December 2016 have been renewed up to May, November and December 2017 as appropriate.

Acquisition related fees payable to the Manager are disclosed in Note 19.

The Group and the Trust have no employees. All the required services are provided by the Manager and others.

The Trust has entered into several service agreements in relation to the management of the Trust. The fee structures of these services are as follows:

(A) Manager's Fees

Under the Trust Deed, the Manager is entitled to management fees comprising the base fee and performance fee as follows:

- (i) A base fee of 0.4% (2015: 0.4%) per annum of the value of the Deposited Property. Any increase in the rate of the base fee above the permitted limit or any change in the structure of the base fee shall be approved by an extraordinary resolution of a meeting of unitholders. The Manager may opt to receive the base fee in the form of units and/or cash.
- (ii) A performance fee fixed at 5.0% (2015: 5.0%) per annum of the Group's Net Property Income ("NPI") or the NPI of the relevant Special Purpose Companies ("SPCs") for each year. NPI in relation to a real estate in the form of land, whether directly held by the Trustee or indirectly held by the Trustee through a SPC, and in relation to any year or part thereof, means its property income less property operating expenses for such real estate for that year or part thereof. The Manager may opt to receive the performance fee in the form of units and/or cash. Based on the First Amending & Restating Deed dated 23 March 2016, the performance fees for the financial year is computed based on audited accounts relating to the relevant SPCs.
- (iii) Manager's acquisition fee determined at 1.0% (2015: 1.0%) of the value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).
- (iv) A divestment fee at 0.5% (2015: 0.5%) of the value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).

(B) Trustee Fees

Under the Trust Deed, the Trustee is entitled to a fee not exceeding 0.1% (2015: 0.1%) per annum of the value of the Deposited Property (as defined in the Trust Deed).

The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is subject to review every three years.

3B. Key management compensation

The Trust obtains key management personnel services from the Manager.

Key management personnel of the Manager, include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. Further information about the remuneration of individual directors of the Manager is provided in the report on corporate governance of the Trust.

Notes to the Financial Statements

31 DECEMBER 2016

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3C. Interest in the Trust:

	Units held		% interest held	
	2016	2015	2016	2015
The Manager				
Bowsprit Capital Corporation Limited	44,227,795	40,585,833	5.73	5.33
The directors of the Manager				
Dr Ronnie Tan Keh Poo	12,449,888	11,193,187	1.61	1.47
Mr Albert Saychuan Cheok	1,159,271	1,101,260	0.15	0.14

4. GROSS REVENUE

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Rental income	107,017	100,698	3,761	3,687
Dividend income from subsidiaries	-	-	56,754	52,173
	107,017	100,698	60,515	55,860

5. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Property tax expense	217	175	217	175
Valuation expenses	248	206	30	30
Insurance expenses	-	187	-	-
Professional fees	579	496	6	29
Impairment allowance on trade receivables	-	246	-	-
Others	138	112	-	-
	1,182	1,422	253	234

6. MANAGER'S MANAGEMENT FEES

	Group and Trust	
	2016 S\$'000	2015 S\$'000
Base fees (Note 3A)	5,292	4,917
Performance fees (Note 3A)	5,292	4,964
	10,584	9,881

Notes to the Financial Statements

31 DECEMBER 2016

7. FINANCE COSTS

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
Interest expense	16,076	15,103
Amortised borrowing costs	1,692	1,435
	17,768	16,538

8. OTHER EXPENSES

	Group		Trust	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Foreign exchange adjustment loss	346	1,347	439	1,248
Handling and processing fees	428	446	428	446
Professional fees	381	312	381	312
Project expenses	1,972	442	1,972	442
Others	191	191	191	191
	3,318	2,738	3,411	2,639

Total fees to the auditors:

	Group		Trust	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Audit fees to independent auditors of the Trust	316	260	218	177
Audit fees to other independent auditors	188	185	-	-
Non-audit fees to independent auditors of the Trust	19	15	19	15

Total fees to independent auditors are included in property operating expenses (Note 5) and other expenses (Note 8).

9. INCOME TAX

9A. Components of tax expense/(income) recognised in profit or loss include:

	Group		Trust	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current tax expense:</u>				
Current tax expense	17,377	15,658	-	-
Subtotal	17,377	15,658	-	-
<u>Deferred tax expense:</u>				
Deferred tax expense/(income)	6,528	12,841	(217)	(159)
Subtotal	6,528	12,841	(217)	(159)
Total income tax expense/(income)	23,905	28,499	(217)	(159)

Notes to the Financial Statements

31 DECEMBER 2016

9. INCOME TAX (CONTINUED)

9A. Components of tax expense/(income) recognised in profit or loss include (continued):

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit or loss before income tax as a result of the following differences:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Total return before income tax	64,246	96,277	26,466	29,230
Income tax expense at the above rate	10,922	16,367	4,499	4,969
Non-deductible/(not liable to tax) items	20,273	21,609	(5,070)	(5,313)
Effect of different tax rates in different countries	(7,644)	(9,662)	-	-
Tax transparency ^(a)	354	185	354	185
Total income tax expense/(income)	23,905	28,499	(217)	(159)

The amount of current income taxes payable as at the end of the reporting year was S\$1,194,000 (2015: S\$778,000) for the Group. Such an amount is net of tax advances, which, according to the tax rules, were paid before the end of the reporting year.

- (a) There is a tax ruling issued by the Inland Revenue Authority of Singapore (the "IRAS") to grant tax transparency treatment on rental and other related income derived by the Trust. Under this tax transparency treatment, subject to meeting the terms and conditions of the tax ruling, the Trustee is not subject to tax on such taxable income to the extent of the amount distributed to unitholders. Instead, the distributions made by the Trust out of such taxable income are subject to tax in the hands of unitholders, unless they are exempt from tax on such distributions. For taxable income that is not distributed, tax on such amount of taxable income will be assessed on the Trust.

9B. Deferred tax expense/(income) recognised in profit or loss include:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Deferred tax relating to the changes in fair value of investment properties	6,528	12,841	(217)	(159)

9C. Deferred tax balance in the statement of financial position:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Deferred tax (liabilities)/assets recognised in profit or loss:				
Deferred tax relating to the changes in fair value of investment properties	(47,878)	(41,350)	971	754

Notes to the Financial Statements

31 DECEMBER 2016

9. INCOME TAX (CONTINUED)

9C. Deferred tax balance in the statement of financial position:

Presented in the statements of financial position as follows:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Deferred tax liabilities	(48,849)	(42,104)	-	-
Deferred tax assets	971	754	971	754
Net balance	(47,878)	(41,350)	971	754

It is impracticable to estimate the amount expected to be settled or used within one year.

At the end of the reporting year, the aggregate amounts of temporary differences associated with investments in investees for which deferred tax liabilities have not been recognised were in relation to the fair value gains on investment properties in the foreign subsidiaries which may be subject to withholding tax if paid as dividends on realisation of the fair value gains. As mentioned in the accounting policy in Note 2, no liability has been recognised in respect of these differences:

	Group	
	2016 S\$'000	2015 S\$'000
Foreign subsidiaries	64,001	67,087

10. Earnings per unit

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per unit of no par value:

	Group	
	2016	2015
Denominator: Weighted average number of units outstanding during the year ('000)	767,874	744,925
Numerator: Earnings attributable to unitholders Total return after income tax (\$'000)	38,688	67,778
Earnings per unit (in cents) Basic and diluted	5.04	9.10

The weighted average number of units refers to units in circulation during the reporting year.

The diluted earnings per unit is the same as the basic earnings per unit as there were no dilutive instruments in issue during the reporting year.

Notes to the Financial Statements

31 DECEMBER 2016

11. DISTRIBUTIONS TO UNITHOLDERS

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
<u>Total distribution paid during the year:</u>		
Distribution of 2.04 cents per unit for the period from 1 October 2014 to 31 December 2014	-	14,945
Distribution of 2.06 cents per unit for the period from 1 January 2015 to 31 March 2015	-	15,189
Distribution of 2.07 cents per unit for the period from 1 April 2015 to 30 June 2015	-	15,437
Distribution of 2.08 cents per unit for the period from 1 July 2015 to 30 September 2015	-	15,586
Distribution of 2.09 cents per unit for the period from 1 October 2015 to 31 December 2015	15,706	-
Distribution of 2.11 cents per unit for the period from 1 January 2016 to 31 March 2016	16,168	-
Distribution of 2.11 cents per unit for the period from 1 April 2016 to 30 June 2016	16,235	-
Distribution of 2.12 cents per unit for the period from 1 July 2016 to 30 September 2016	16,324	-
	64,433	61,157

11A. Distribution per unit

	2016	Group and Trust	
		2015	2015
	Cents per unit	Cents per unit	S\$'000
			S\$'000
Based on the number of units in issue at the dates of distributions	8.47	8.30	65,248

Distribution Type

Name of Distribution Distribution during the period (interim distributions)

Distribution Type Income/Capital

Distribution Rate	2016	Group and Trust	
		2015	2015
	Cents per unit	Cents per unit	S\$'000
			S\$'000
Taxable Income ^(a) :	0.23	0.23	1,768
Tax-Exempt Income ^(b) :	3.41	3.46	26,212
Capital ^(c) :	2.70	2.52	20,754
Subtotal:	6.34	6.21	48,734

Name of Distribution Distribution declared subsequent to end of the reporting year (final distribution) (See Note 30)

Distribution Type Income/Capital

Notes to the Financial Statements

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11. DISTRIBUTION TO UNITHOLDERS (CONTINUED)

11A. Distribution per unit (continued)

Distribution Rate	Group and Trust			
	2016 Cents per unit	2015 Cents per unit	2016 S\$'000	2015 S\$'000
Taxable Income ^(a) :	0.07	0.08	566	600
Tax-Exempt Income ^(b) :	1.16	1.10	9,006	8,308
Capital ^(c) :	0.90	0.91	6,942	6,803
Subtotal:	2.13	2.09	16,514	15,711

Total annual distribution paid or declared

Taxable Income ^(a) :	0.30	0.31	2,334	2,311
Tax-Exempt Income ^(b) :	4.57	4.56	35,218	34,042
Capital ^(c) :	3.60	3.43	27,696	25,570
Total:	8.47	8.30	65,248	61,923

- (a) Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from Singapore income tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. The Monetary Authority of Singapore has announced that the 10% tax concession has been extended till 31 March 2020.

All other investors will receive their distributions after deduction of tax at the rate of 17% (2015: 17%).

- (b) Tax-Exempt Income Distribution is exempt from Singapore income tax in the hands of all unitholders.
- (c) Capital Distribution represents a return of capital to unitholders for Singapore income tax purposes and is therefore not subject to Singapore income tax. For unitholders who are liable to Singapore income tax on profits from the sale of the Trust's units, the amount of capital distribution will be applied to reduce the cost base of their Trust's units for Singapore income tax purposes.

Current Distribution Policy:

The Trust's current distribution policy is to distribute at least 90.0% (2015: 90.0%) of its taxable and tax-exempt income (after deduction of applicable expenses) and certain capital receipts. The capital receipts comprise amounts received by the Trust from redemption of redeemable preference shares and shareholder loans in the Singapore subsidiaries.

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
At fair value:				
Balance at beginning of the year	1,268,306	1,172,015	37,900	38,700
Additions at cost #a	21,209	71,542	176	200
Disposal #b	(7,649)	-	-	-
Translation differences	208	581	-	-
Change in fair value included in statements of total return (Level 3)	(8,915)	24,168	(1,276)	(1,000)
Balance at end of the year	1,273,159	1,268,306	36,800	37,900
Rental income from investment properties	107,017	100,698	3,761	3,687
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the reporting year	(1,182)	1,422	253	234

The increase in fair value is due to the acquisitions during the year and improvements in fair value estimates due to changes in key inputs. The Group's portfolio consists of properties located in Indonesia, Singapore and South Korea (see the statements of portfolio). These investment properties include the mechanical and electrical equipment located in the respective properties.

- #a. The addition in 2016 is mainly for the acquisition of Siloam Hospitals Labuan Bajo (Note 19). This includes capitalised transaction costs of S\$796,200. The non-cancellable leases were entered into on 30 December 2016. The additions in 2015 were for the acquisition of Siloam Hospitals Kupang & Lippo Plaza Kupang (Note 19) amounting to S\$71.5 million. The addition included capitalised transaction costs of S\$1,307,000.
- #b. The disposal in 2016 is for the divestment of Plot B of Siloam Hospitals Surabaya. On 29 December 2015, the Group entered into an asset-enhancement transaction in relation to Siloam Hospitals Surabaya (Note 28).

The fair value of each investment property was measured in November 2016 and updated on 31 December 2016 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The valuations were based on the discounted cash flow and direct capitalisation methods as appropriate. The fair value was based on valuations made by independent valuers on a systematic basis at least once yearly. In relying on the valuation reports, the management is satisfied that the independent valuers have appropriate professional qualifications, are independent and have recent experience in the location and category of the properties being valued. There has been no change to the valuation techniques during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

Notes to the Financial Statements

31 DECEMBER 2016

12. INVESTMENT PROPERTIES (CONTINUED)

The key assumptions and inputs to the fair value calculations as follows:

	Indonesia 2016	Indonesia 2015	Singapore 2016	Singapore 2015	South Korea 2016	South Korea 2015
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the properties	9.43% to 10.25%	9.52% to 10.35%	8.25%	8.25%	Note 1	Note 1
2. Growth rates based on escalation rate in the lease agreements	#(A)	#(A)	2.00%	2.00%	Note 1	Note 1
3. Cash flow forecasts derived from the most recent financial budgets approved by management (assuming renewal of current leases for certain properties)	10 years 8.00% to 13.22%	10 years 8.00% to 12.50%	10 years 6.25% to 6.50%	10 years 6.25% to 6.50%	Note 1	Note 1
4. Terminal rate #(B)	19 Oct and 4 Nov	1 Oct and 6 Nov	4 Nov	6 Nov	4 Nov	6 Nov
5. Dates of valuations						

#(A) The growth rate for the base rent is based on 2.00% (2015: 2.00%) of the preceding 12 months base rent while the variable rent is the amount equivalent to 0.75% to 2.00% (2015: 0.75% to 2.00%) of the tenant's gross revenue for the preceding calendar year, depending on the tenant's gross revenue growth.

#(B) No terminal rate was used for the valuation of Siloam Sriwijaya and Siloam Hospitals Kupang & Lippo Plaza Kupang whose agreement with the provincial government only allows for a fixed lease period. The terminal value for Siloam Hospitals Surabaya used the same contractual value included in the asset enhancement transaction with a subsidiary of PT Lippo Karawaci Tbk (Note 28).

Note 1: The valuations of the South Korean property for 2016 and 2015 were based on the direct capitalisation method. The direct capitalisation method is a valuation method used to convert a single year's income expectancy into a value estimate. The income used is the market rental of this property adjusted for operating expenses (net operating income). An overall capitalisation rate of 10.25% (2015: 10.00%) is applied to the net operating income to arrive at the fair value of the property. The overall capitalisation rate used takes into account the level of risk associated with the property.

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES (CONTINUED)

The valuations for 2016 were made by the following professionally qualified external valuers:

1. Three Indonesia properties – KJPP Willson & Rekan in association with Knight Frank
2. Four Indonesia properties – KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte Ltd
3. Four Indonesia properties – KJPP Rinaldi, Alberth, Baroto & Partners
4. Three Indonesia properties – Savills Valuation & Professional Services (S) Pte. Ltd. in partnership with KJPP Willie Prasetyo and Rekan
5. All Singapore properties – Colliers International Consultancy & Valuation (Singapore) Pte Ltd
6. South Korea property – Colliers International Consultancy & Valuation (Singapore) Pte Ltd

There are no restrictions on the realisability of investment properties or the remittance of income and proceeds from disposal.

Other than Sarang Hospital, Siloam Hospitals Surabaya, Siloam Sriwijaya, and Siloam Hospitals Labuan Bajo, all the properties are mortgaged as security for the bank facilities (Note 22). Other details on the properties are disclosed in the statements of portfolio.

The types of property titles held by the Group are as follows:

(a) Hak Guna Bagunan (“**HGB**”) Title

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 which the State retains “ownership”. For practical purposes, there is 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 a certain formula as stipulated by the National Land Office (Badan Pertanahan Nasional) in Indonesia.

(b) Build, Operate and Transfer Scheme (“**BOT Scheme**”)

This scheme is a structure in Indonesia for the construction of commercial buildings where Indonesian government owns the relevant land (“**BOT land**”). Under the BOT scheme, the Indonesian government which owns BOT land (“**BOT grantor**”) agrees to grant certain rights over the BOT land to another party (“**BOT grantee**”). The BOT grantee can develop the site, subject to the relevant approvals and then operate the buildings constructed on the BOT land for a particular period of time as stipulated in the BOT agreement, including obtaining Strata title certificates on the BOT land. A BOT scheme is granted for an initial period of 20 to 30 years and is extendable upon agreement of both the grantor and grantee. Upon expiration of the term of the BOT agreement, the BOT grantee must return the land, together with any buildings and fixtures on top of the land, without either party providing any form of compensation to the other.

(c) Strata Title

This title gives the party who holds the property the ownership of common areas, common property and common land proportionately with other Strata title owners.

The commencement date of each title varies.

The investment properties are leased out under operating leases (Notes 3 and 29).

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES (CONTINUED)

Information about fair value measurements using significant unobservable inputs (Level 3)

All fair value measurements of investment properties are categorised within Level 3 of the fair value hierarchy, and a description of the valuation techniques and the significant inputs used in the fair value measurement are as follows:

Description	Fair value at 31 December 2016 (in S\$'000)	Valuation technique(s)	Key unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Investment properties	1,263,900 (2015: 1,259,400)	Discounted cash flow method	Discount rate	8.25% to 10.25% (2015: 8.25% to 10.35%)	The higher the discount rate, the lower the fair value.
			Terminal rate	6.25% to 13.22% (2015: 6.25% to 12.50%)	The higher the terminal rate, the lower the fair value.
	9,259 (2015: 8,906)	Direct capitalisation method	Capitalisation rate	10.25% (2015: 10.00%)	The higher the capitalisation rate, the lower the fair value.

There were no significant inter-relationships between unobservable inputs.

Sensitivity analysis on key estimates:

Indonesia and Singapore properties:

1. Discount rates

A hypothetical 10% increase or decrease in the pre-tax discount rate applied to the discounted cash flows would have a lower or higher effect on total return before tax respectively.

2. Growth in rental income

A hypothetical 10% increase or decrease in the rental income would have a higher or lower effect on total return before tax respectively.

3. Terminal rates

A hypothetical 10% increase or decrease in the terminal rate would have a lower or higher effect on total return before tax respectively.

Notes to the Financial Statements

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12. INVESTMENT PROPERTIES (CONTINUED)

South Korea property:

1. Growth in rental income

A hypothetical 10% increase or decrease in the rental income would have a higher or lower effect on total return before tax respectively.

2. Capitalisation rates

A hypothetical 10% increase or decrease in the capitalisation rate would have a lower or higher effect on total return before tax respectively.

Valuation processes of the Group

The Group's finance department works with a team that oversees the valuations of investment properties by external valuers required for financial reporting, including fair values. This Asset and Investment team ("**valuation team**") reports directly to the chief executive officer ("**CEO**"). Discussions of valuation processes and results are held between the CEO and the valuation team.

The team engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every reporting year. For 2016, the firms of independent professional valuers engaged are mentioned above.

The main Level 3 inputs used by the Group are derived and evaluated as follows:

- *Discount rates*
The discount rates have been determined using the valuers' model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- *Terminal rates*
The terminal rates have been determined using the valuers' model of the location, building quality, its surrounding local market condition, the competitive positioning of the property, the perceived market conditions in the future, estimated cash flow profile and the overall physical condition and age of the property.
- *Expected net rental cashflows*
These are estimated by management based on existing lease agreements and market conditions as at 31 December 2016. The estimates are largely consistent with management's knowledge of actual conditions and situations.

Notes to the Financial Statements

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13. INVESTMENTS IN SUBSIDIARIES

	Trust	
	2016 S\$'000	2015 S\$'000
Movements during the year. At cost:		
Balance at beginning of the year	748,258	690,989
Additions at cost	30,979	77,957
Redemption of redeemable preference shares	(22,776)	(20,688)
Cost at the end of the year	756,461	748,258
Total cost comprising:		
Unquoted equity shares at cost	400,025	394,885
Redeemable preference shares at cost	364,572	361,509
Allowance for impairment	(8,136)	(8,136)
Total at cost	756,461	748,258
Movement in allowance for impairment:		
Balance at beginning of the year	(8,136)	(8,136)
Impairment allowance included in the statement of total return	-	-
Balance at end of the year	(8,136)	(8,136)

The details of the subsidiaries are disclosed in Note 33 below.

14. TRADE AND OTHER RECEIVABLES, NON-CURRENT

	Group	
	2016 S\$'000	2015 S\$'000
Balance at the end of the year	18,035	-

The amount relates to progress payments made in relation to the development works of Siloam Hospitals Surabaya. The progress payments, which yield a return of 6% per annum, will be reclassified to investment properties upon completion. The details are disclosed in Note 28 below.

15. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Trade receivables:</u>				
Outside parties	7,515	7,609	573	466
Less impairment allowance	(3,360)	(3,282)	-	-
Related party (Note 3)	6,149	1,374	8	8
Subtotal	10,304	5,701	581	474

Notes to the Financial Statements

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15. TRADE AND OTHER RECEIVABLES, CURRENT (CONTINUED)

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Other receivables:</u>				
Subsidiaries (Note 3)	-	-	7,252	2,526
Less impairment allowance	-	-	(567)	(567)
Outside parties	1,450	8,811	4	20
Subtotal	1,450	8,811	6,689	1,979
Total trade and other receivables	11,754	14,512	7,270	2,453

The other receivables from outside parties are mainly recoverable taxes to be paid over to the vendors of the properties acquired.

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Movement in above allowance:</u>				
Balance at beginning of the year	(3,282)	(2,831)	(567)	(567)
Impairment allowance included in statement of total return	-	(246)	-	-
Foreign exchange loss recognised on translation at year end	(78)	(205)	-	-
Balance at the end of the year	(3,360)	(3,282)	(567)	(567)

16. LOAN RECEIVABLE

	Trust	
	2016 S\$'000	2015 S\$'000
<u>Loan receivable from subsidiary:</u>		
Non-current portion	49,138	53,330
Current portion	4,191	4,823
Total	53,329	58,153

The agreement for the loan receivable provides that it is unsecured, with fixed interest at 0% and 3.39% (2015: 0% and 3.39%) per annum and is repayable by quarterly installments over 20 years from 30 December 2010. The loan is carried at amortised cost using the effective interest method. A portion of the loan receivable has no interest and repayment is dependent on the cash flows of the borrower. The fair value is not determinable as the timing of the cash flows arising from the loan amount cannot be estimated reliably. The amount is not past due.

Notes to the Financial Statements

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17. OTHER ASSETS, CURRENT

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Prepayments	51	328	51	328
Prepaid other taxes	3,629	2,304	-	-
	3,680	2,632	51	328

18. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Not restricted in use	33,576	26,827	22,719	23,606

The rate of interest for the cash on interest-earning accounts ranged from 0.67% to 1.00% (2015: 0.74% to 1.20%) per annum.

18A. Non-cash transactions:

Group

- (a) There were units issued as settlement of the Manager's management fees (Note 19).

Eligible unitholders that have elected to participate in the Distribution Reinvestment Plan ("DRP") received their distributions in units (Note 19).

In 2015, a total of 4,804,612 units and 11,538,461 were issued in settlement as the purchase consideration of S\$6.0 million and S\$15.0 million for the acquisition of Siloam Sriwijaya and Siloam Hospitals Kupang & Lippo Plaza Kupang respectively.

Trust

- (a) Dividend income amounting to S\$56,754,000 (2015: S\$52,173,000) were offset against the amount due to subsidiaries.
- (b) Redeemable preference shares amounting to S\$22,776,000 (2015: S\$20,688,000) redeemed during the financial year were offset against the amount due to subsidiaries.
- (c) The repayment of loan receivable amounting to S\$4,823,000 (2015: S\$4,823,000) were offset against the amount due to subsidiary.

Notes to the Financial Statements

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19. UNITS IN ISSUE AND NET ASSETS VALUE ATTRIBUTABLE TO UNITHOLDERS

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
Units at beginning of the year	761,567	731,702
Issuance of new units as settlement of management fees (a)	3,642	5,196
Issuance of new units to vendor as part of investment property purchase	-	16,343
Issuance of new units pursuant to the Distribution Reinvestment Plan (b)	6,370	8,326
Units at end of the year	771,579	761,567

- (a) A total of 3,642,000 (2015: 5,196,000) new units at an issue price range from S\$1.1846 to S\$1.3651 (2015: S\$1.2385 to S\$1.4090) per unit were issued in respect of the settlement for the Manager's management fees to the Manager.

At the end of the reporting year, 741,000 (2015: 1,537,000) units were issuable as settlement for the Manager's management fees for the last quarter of the reporting year.

The issue price for determining the number of units issued and issuable as Manager's management fees is calculated based on the volume weighted average traded price ("VWAP") for all trades done on SGX-ST in the ordinary course of trading for 10 business days immediately preceding the respective last business day of the respective quarter end date.

The Trust completed the divestment of Plot B of Siloam Hospitals Surabaya on 11 March 2016.

The Trust has announced the issue of 31,148 units to the Manager of the Trust on 22 April 2016 with an issue price of S\$1.2536 per unit.

These units were issued to the Manager as payment of Plot B divestment fees of S\$39,000, which is equal to 0.5% of the sale consideration for Plot B.

- (b) The Trust introduced and implemented a Distribution Reinvestment Plan ("DRP") on 9 January 2014 whereby the unitholders have the option to receive their distribution in units instead of cash or a combination of units and cash.

A total of 6,370,000 (2015: 8,326,000) new units at an issue price range of S\$1.1388 to S\$1.3165 (2015: S\$1.2689 to S\$1.3810) per unit were issued pursuant to the Distribution Reinvestment Plan.

Under the Trust Deed, every unit carries the same voting rights. Each unit represents an equal and undivided beneficial interest in the assets of the Trust. Units have no conversion, retraction, redemption or pre-emptive rights. 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 the Trust; and
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust.

No unitholder has a right to require that any assets of the Trust be transferred to him.

Notes to the Financial Statements

31 DECEMBER 2016

19. UNITS IN ISSUE AND NET ASSETS VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

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:

- The Trust 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 the Trust in the event that the liabilities of the Trust exceeds its assets.

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
At end of the year				
Net assets value attributable to unitholders	777,701	791,101	374,236	401,437
	Cents	Cents	Cents	Cents
Net assets value per unit (in cents) attributable to unitholders	100.79	103.88	48.50	52.71

Notes to the Financial Statements

31 DECEMBER 2016

19. UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

19A. Movements in components of unitholders' funds and perpetual securities holders

Group:	Unitholders' funds					Perpetual securities S\$'000	Total S\$'000
	Unitholders' contribution S\$'000	Retained earnings S\$'000	Foreign exchange reserve S\$'000	Subtotal S\$'000			
Current year:							
Opening balance at 1 January 2016	439,045	350,507	1,549	791,101	-	791,101	
Total comprehensive return for the year	-	40,341	143	40,484	-	40,484	
Issuance of perpetual securities	-	-	-	-	60,000	60,000	
Issuance costs	-	-	-	-	(775)	(775)	
Manager's acquisition-related fees paid in units	39	-	-	39	-	39	
Manager's management fees settled in units	4,459	-	-	4,459	-	4,459	
Distribution to perpetual securities holders	-	(1,653)	-	(1,653)	1,653	-	
Distribution settled in units	7,704	-	-	7,704	-	7,704	
Distributions	(27,593)	(36,840)	-	(64,433)	-	(64,433)	
Closing balance at 31 December 2016	423,654	352,355	1,692	777,701	60,878	838,579	
Previous year:							
Opening balance at 1 January 2015	423,792	320,207	951	744,950	-	744,950	
Total comprehensive return for the year	-	67,778	598	68,376	-	68,376	
Purchase of investment property paid in units (Note 18)	21,000	-	-	21,000	-	21,000	
Manager's management fees settled in units	6,823	-	-	6,823	-	6,823	
Distribution settled in units	11,109	-	-	11,109	-	11,109	
Distributions	(23,679)	(37,478)	-	(61,157)	-	(61,157)	
Closing balance at 31 December 2015	439,045	350,507	1,549	791,101	-	791,101	

Notes to the Financial Statements

31 DECEMBER 2016

19. UNITS IN ISSUE AND NET ASSETS VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

19A. Movements in components of unitholders' funds and perpetual securities holders (continued)

	Unitholders' funds				Perpetual securities S\$'000	Total S\$'000
	Issued equity S\$'000	Accumulated losses S\$'000	Sub-total S\$'000			
Trust:						
Current year:						
Opening balance at 1 January 2016	439,045	(37,608)	401,437	-	401,437	
Total comprehensive return for the year	-	26,683	26,683	-	26,683	
Manager's acquisition-related fees settled in units	39	-	39	-	39	
Manager's management fees settled in units	4,459	-	4,459	-	4,459	
Issuance of perpetual securities	-	-	-	60,000	60,000	
Issuance costs	-	-	-	(775)	(775)	
Distribution reserved for perpetual holders	-	(1,653)	(1,653)	1,653	-	
Distribution settled in units	7,704	-	7,704	-	7,704	
Distributions	(27,593)	(36,840)	(64,433)	-	(64,433)	
Closing balance at 31 December 2016	423,654	(49,418)	374,236	60,878	435,114	
Previous year:						
Opening balance at 1 January 2015	423,792	(29,519)	394,273	-	394,273	
Total comprehensive return for the year	-	29,389	29,389	-	29,389	
Purchase of investment property paid in units (Note 18)	21,000	-	21,000	-	21,000	
Manager's management fees settled in units	6,823	-	6,823	-	6,823	
Distribution settled in units	11,109	-	11,109	-	11,109	
Distributions	(23,679)	(37,478)	(61,157)	-	(61,157)	
Closing balance at 31 December 2015	439,045	(37,608)	401,437	-	401,437	

Notes to the Financial Statements

31 DECEMBER 2016

19. UNITS IN ISSUE AND NET ASSETS VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

Capital management:

The objectives when managing capital are: to safeguard the Trust's ability to continue as a going concern, so that it can continue to provide returns for unitholders and benefits for other stakeholders and to provide an adequate return to unitholders.

The Manager sets the amount of capital to meet its requirements. There were no changes in the approach to capital management during the reporting year. The Manager manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Manager may adjust the amount of distributions paid to unitholders, return capital to unitholders, issue new units, or sell assets to reduce debt. The distribution policy is disclosed in Note 11.

The Group's long-term policy is that net debt should be in the low range of the amount in the statement of financial position. This policy aims to ensure that the Group both maintains a good credit rating and lowers its weighted average cost of capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. issued equity and retained earnings).

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Net debt:				
All external borrowings	413,609	442,565	413,609	442,565
Less cash and cash equivalents	(33,576)	(26,827)	(22,719)	(23,606)
Net debt	380,033	415,738	390,890	418,959
Adjusted capital:				
Issued equity	423,654	439,045	423,654	439,045
Retained earnings/(Accumulated losses)	352,355	350,507	(49,418)	(37,608)
Foreign exchange reserve	1,692	1,549	-	-
Perpetual securities (Note 20)	60,878	-	60,878	-
Adjusted capital	838,579	791,101	435,114	401,437
Debt-to-adjusted capital ratio*	45.32%	52.55%	89.84%	104.36%

* This includes the effect of perpetual securities which has been classified as equity by the Manager.

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19. UNITS IN ISSUE AND NET ASSETS VALUE ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

Capital management (continued):

The favourable change in the Group's debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in capital due to the issuance of perpetual securities. This was further strengthened by a favourable change from improved retained earnings.

The only externally imposed capital requirement is that for the Group to maintain its listing on the SGX-ST, it has to have issued equity with a free float of at least 10% of the units. Management receives a report from the registrars frequently on substantial share interests showing the non-free float and it demonstrated continuing compliance with the SGX-ST's 10% limit throughout the reporting year.

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, the total borrowings and deferred payments of the Group should not exceed 45% of the Group's deposited property. It was 31.1% (2015: 34.0%) as at end of the reporting year, which exclude the effect of perpetual securities which had been classified as equity by the Manager.

The Manager monitors the level, nature of debt and leverage ratios, along with the compliance with debt covenants continuously to ensure that sufficient resources exist.

20. PERPETUAL SECURITIES

On 8 July 2016, the Trust issued S\$60 million of subordinated perpetual securities at a fixed rate of 5.68% per annum, with the first distribution rate reset falling on 8 July 2021 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms and conditions of the securities. The distribution will be payable semi-annually at the discretion of the Trust and will be non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank *pari passu* with holders of preferred units (if any) and rank ahead of the unitholders of Trust but junior to the claims of all present and future creditors of the Trust.
- The Trust shall not declare or pay any distributions to the unitholders, or make redemption, unless the Trust declares or pays any distributions to the perpetual securities holders.

These perpetual securities are classified as equity (see Note 19). The S\$60,878,000 presented in the statement of financial position represent the S\$60,000,000 perpetual securities issued with net of issue expenses of S\$775,000 and an amount of S\$1,653,000 is attributable to perpetual securities holders for the year ended 31 December 2016. As a result, management has taken the view that as there is no contractual obligation to repay the principal or to pay any distributions, and that the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 Financial Instruments: Disclosure and Presentation. The perpetual securities are presented within equity, and distribution treated as dividends.

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21. FINANCIAL RATIOS

	Group		Trust	
	2016	2015	2016	2015
Expenses to average net assets attributable to unitholders ratio - excluding performance related fees ⁽¹⁾	1.15%	1.05%	2.35%	1.99%
Expenses to average net assets attributable to unitholders ratio - including performance related fees ⁽¹⁾	1.82%	1.69%	3.71%	3.24%
Portfolio turnover ratio ⁽²⁾	NM	N/M	NM	N/M
Rent/EBITDA ratio of Indonesian properties ⁽³⁾	55.22%	61.09%	-	-
Total operating expenses (S\$'000) ⁽⁴⁾	39,387	42,912	14,429	12,967
Total operating expenses to net assets values ratio ⁽⁴⁾	5.06%	5.42%	3.86%	3.23%

⁽¹⁾ The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore dated 25 May 2005. The expenses used in the computation relate to expenses excluding any interest expenses, foreign exchange losses, tax deducted at source and costs associated with the purchase of investments.

⁽²⁾ Turnover ratio means the number of times per year that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales of underlying investments of a scheme expressed as a percentage of daily average net asset value.

⁽³⁾ The Manager has given an undertaking to SGX-ST that for so long as it remains the Manager of the Trust, and PT Lippo Karawaci Tbk in Indonesia and/or any of its related corporations remains a controlling shareholder of the Manager, it will disclose the Rent/EBITDA ratio of the Indonesia properties, except for Siloam Hospitals Purwakarta, Siloam Sriwijaya and Siloam Hospitals Kupang & Lippo Plaza Kupang. The EBITDA (unaudited) for the operations renting the Indonesian properties, except for Siloam Hospitals Purwakarta, Siloam Sriwijaya and Siloam Hospitals Kupang & Lippo Plaza Kupang, is calculated before rental expenses.

⁽⁴⁾ The revised Code on Collective Investment Schemes dated 1 January 2016 requires disclosure of the total operating expenses of the property fund, including all fees and charges paid to the Manager and interested parties (in both absolute terms, and as a percentage of the property fund's net asset value as at the end of the financial year) and taxation incurred in relation to the property fund's real estate assets.

N/M - Not meaningful as the ratio is Nil for 2016 and 2015 as there was no sale of investment property.

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22. OTHER FINANCIAL LIABILITIES

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
<u>Current:</u>		
Bank loans (secured) (Note 22A) (a)	142,563	45,000
Transaction cost to be amortised	(596)	(726)
Current, total	<u>141,967</u>	<u>44,274</u>
<u>Non-current:</u>		
Bank loans (secured) (Note 22A)	164,475	302,577
Transaction cost to be amortised	(2,397)	(3,669)
	<u>162,078</u>	<u>298,908</u>
Fixed rate notes (Note 22B)	100,000	100,000
Transaction cost to be amortised	(360)	(617)
	<u>99,640</u>	<u>99,383</u>
Bank loan (unsecured) (Note 22C) (b)	10,000	-
Transaction cost to be amortised	(76)	-
	<u>9,924</u>	<u>-</u>
Non-current, total	<u>271,642</u>	<u>398,291</u>
Total other financial liabilities	<u>413,609</u>	<u>442,565</u>

- (a). For 2016, the above current, secured loans are due in November and December 2017. For 2015, secured loans are under two revolving facilities of up to S\$18,500,000 and S\$31,500,000 maturing in December 2019 and May 2020 respectively.
- (b). The above non-current, unsecured loan facility of up to S\$10,000,000 is a term loan maturing in March 2019.

The range of floating interest rates per annum were from 2.42% to 4.09% (2015: 3.00% to 3.21%).

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22. OTHER FINANCIAL LIABILITIES (CONTINUED)

22A. Bank loans (secured)

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
<u>Current:</u>		
Bank loan A (secured)	91,600	-
Transaction cost to be amortised	(310)	-
	<u>91,290</u>	<u>-</u>
Bank loan B (secured)	20,000	-
Transaction cost to be amortised	(103)	-
	<u>19,897</u>	<u>-</u>
Bank loan C (secured)	30,963	-
Transaction cost to be amortised	(183)	-
	<u>30,780</u>	<u>-</u>
Current, total	<u>141,967</u>	<u>-</u>
<u>Non-current:</u>		
Bank loan A (secured)	-	91,600
Transaction cost to be amortised	-	(637)
	<u>-</u>	<u>90,963</u>
Bank loan B (secured)	13,160	33,160
Transaction cost to be amortised	(155)	(429)
	<u>13,005</u>	<u>32,731</u>
Bank loan C (secured)	108,815	151,317
Transaction cost to be amortised	(1,156)	(1,909)
	<u>107,659</u>	<u>149,408</u>
Bank loans D (secured)	42,500	26,500
Transaction cost to be amortised	(1,086)	(694)
	<u>41,414</u>	<u>25,806</u>
Total bank loans (secured)	<u>162,078</u>	<u>298,908</u>

Bank loan A is due in November 2017 and is under a fixed rate loan facility of up to S\$92,000,000. There are amounts under Bank loan B due in December 2017 and December 2018 and under multi-currency transferable term loan facilities of up to S\$40,000,000. There are amounts under Bank loan C due in December 2017, December 2018 and December 2019, and under multi-currency transferable term loan facilities of up to S\$165,000,000. Bank loan D, which is due in May 2020 and under multi-currency transferable term loan facilities with fixed interest rates of up to S\$26,500,000 and revolving facilities with floating interest rates of up to S\$18,500,000.

All the amounts are at fixed interest rates or hedged with interest rate swaps except for S\$6,000,000 of Bank loan C.

Notes to the Financial Statements

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22. OTHER FINANCIAL LIABILITIES (CONTINUED)

22A. Bank loans (secured) (continued)

The fixed interest rates of Bank loan A and D are 3.39% (2015: 3.39%) and 3.75% (2015: 3.75%) per annum respectively. The range of floating interest rates for the Bank loan B, C, and D are from 2.30% to 3.98% (2015: 2.45% to 3.98%) per annum.

The range of effective interest rates per annum for the above borrowings is from 3.42% to 4.72% (2015: 3.67% to 4.23%).

The bank loan agreements provide among other matters for the following:

- 1) First and second legal mortgage over all the properties of the Group except for Sarang Hospital, Siloam Hospitals Surabaya, Siloam Sriwijaya and Siloam Hospitals Labuan Bajo.
- 2) Assignment to the banks of all of the Group's rights, titles, interests and benefits under any leases, tenancies, sales proceeds and cash flows in respect of the Indonesian properties and the Singapore properties except for Siloam Hospitals Surabaya, Siloam Sriwijaya and Siloam Hospitals Labuan Bajo.
- 3) Assignment to the banks of all of the Group's rights, titles and interests under the insurance policies in respect of the Indonesian properties and the Singapore properties, with the bank named as a "loss payee" except for Siloam Hospitals Surabaya, Siloam Sriwijaya and Siloam Hospitals Labuan Bajo.
- 4) A debenture containing first fixed and floating charges over all assets and undertakings of the Trust's Singapore subsidiaries and subsidiaries of Trust's Singapore subsidiaries except for Great Capital Pte. Ltd., Key Capital Pte. Ltd., Kalmore Investments Pte. Ltd., IAHCC Investment Pte. Ltd., Finura Investments Pte. Ltd., Glamis Investments Pte. Ltd., Surabaya Hospitals Investment Pte. Ltd., Sriwijaya Investment I Pte. Ltd., Sriwijaya Investment II Pte. Ltd., SHLB Investment I Pte. Ltd. and SHLB Investment II Pte. Ltd.
- 5) Charge of all of the Trust's shares in the Singapore subsidiaries and subsidiaries of Trust's Singapore subsidiaries except for Kalmore Investments Pte. Ltd., Finura Investments Pte. Ltd., Glamis Investments Pte. Ltd., IAHCC Investment Pte. Ltd., Surabaya Hospitals Investment Pte. Ltd., Sriwijaya Investment I Pte. Ltd., Sriwijaya Investment II Pte. Ltd., SHLB Investment I Pte. Ltd. and SHLB Investment II Pte. Ltd.
- 6) Charge of all of the Singapore subsidiaries' shares in the Indonesian subsidiaries except for PT Tata Prima Indah, PT Sriwijaya Mega Abadi and PT Prima Labuan Bajo.
- 7) A debenture by the Group covering first fixed and floating charges over all assets and undertakings in respect of the Singapore properties.
- 8) PT Lippo Karawaci Tbk's interest in the Trust is not less than 25.0%.
- 9) Compliance with certain financial covenants.

The carrying amount of the current and non-current borrowings, which are at floating variable market rates, approximate their fair values at reporting date.

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22. OTHER FINANCIAL LIABILITIES (CONTINUED)

22A. Bank loans (secured) (continued)

The carrying amount and fair value of the non-current fixed rate bank loans are as follows:

	Carrying amounts		Fair values	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group and Trust</u>				
Bank loan A (non-current)	-	90,963	-	90,644
Bank loan D (non-current)	25,951	25,806	26,602	25,947

The fair value of the loans was estimated by discounting the future cash flows payable under the terms of the loan using the year-end market interest rate of 1.7% (2015: 1.7%) applicable to loans of similar credit risk, terms and conditions (Level 2).

22B. Fixed rate notes

In 2013, the Trust established the S\$500,000,000 Multicurrency Medium Term Note Programme ("**Programme**").

Under this Programme, the Trust may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches in Singapore dollars or any other currency agreed with the dealer(s). Notes may be issued at par or at a discount, or premium, to par.

Each series or tranche of notes may be issued in various amounts and tenors, and may bear interest at fixed, floating, variable or hybrid rates or may not bear interest. The Trust needs to observe certain financial covenants.

The notes and coupons of all series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Trust ranking pari passu, without any preference or priority among themselves, and pari passu with all other present and future unsecured obligations of the Trust.

The total facility drawn down as at 31 December 2016 under the Programme was S\$100,000,000 (2015: S\$100,000,000). It will mature on 22 May 2018 and bears a fixed interest rate of 4.125% (2015: 4.125%) per annum payable semi-annually in arrears. The effective interest rate per annum is 4.40% (2015: 4.40%).

The carrying amount and fair value (Level 1) of the non-current fixed-rate notes are as follows:

	Carrying amounts		Fair values	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Group and Trust</u>				
Fixed rate notes (non-current)	99,640	99,383	101,025	99,375

The notes were listed on the Singapore Exchange Securities Trading Limited.

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23. TRADE AND OTHER PAYABLES, CURRENT

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	187	243	74	154
Related parties (Note 3)	6,406	2,110	6,406	2,110
Subtotal	6,593	2,353	6,480	2,264
<u>Other payables:</u>				
Subsidiaries (Note 3)	-	-	17,116	22,037
Related party (Note 3)	22	22	-	-
Other payables	10,264	14,985	3,276	3,415
Subtotal	10,286	15,007	20,392	25,452
Total trade and other payables	16,879	17,360	26,872	27,716

In 2016 and 2015, included in the Group's other payables as at end of the financial year, were mainly taxes payable to the vendors upon receipt of refunds from the tax authority.

24. OTHER LIABILITIES, CURRENT

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Deferred income	20,137	19,465	78	76
Security deposits	1,810	1,789	1,810	1,789
	21,947	21,254	1,888	1,865

The deferred income is from rental received in advance from certain tenants.

25. DERIVATIVES FINANCIAL INSTRUMENTS

The table below summarises the fair value of derivatives engaged into at the end of year. All derivatives are not designated as hedging instruments.

	Group and Trust	
	2016 S\$'000	2015 S\$'000
<u>(Liabilities)/Assets – Derivatives with (negative)/positive fair values:</u>		
Interest rate swaps (Note 25A) – Non-current	(118)	2,131
The movements during the year were as follows:		
Balance at beginning of the year	2,131	-
(Losses)/gains recognised in profit or loss	(2,249)	2,131
Total net balance at end of the year	(118)	2,131

The maximum exposure to credit risk at the reporting date is the fair value of derivatives assets.

Notes to the Financial Statements

31 DECEMBER 2016

25. DERIVATIVES FINANCIAL INSTRUMENTS (CONTINUED)

25A. Interest rate swaps

As at 31 December 2016, the notional amount of eight interest rate swaps for 2016 was S\$166,937,000 (2015: S\$178,477,000). The Group paid a fixed rate interest at range of 2.94% to 3.98% (2015: 2.94% to 3.98%) per annum and received a variable rate equal to the swap offer rate ("**SOR**") on the notional contract amount (Level 2). The interest rate swaps will expire between 26 December 2017 to 23 December 2019.

The derivatives financial instruments are not traded in an active market. As a result, their fair values are based on valuation techniques currently consistent with generally accepted valuation methodologies for pricing financial instruments, and incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price (Level 2).

The fair value (Level 2) of interest rate swap was measured on the basis of the current value of the difference between the contractual interest rate and the market rate at the end of the reporting year. The valuation technique used market observable inputs.

26. FINANCIAL INFORMATION BY OPERATING SEGMENTS

Information about reportable segment profit or loss and assets

Disclosure of information about operating segments is made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the Group.

The Group is engaged in a single business of investing in investment properties in the healthcare and/or healthcare-related sector. During the reporting year the Group had three reportable operating segments: Indonesian operations, Singapore operations and South Korean operations. For management purposes the Group is organised into one major strategic operating segment that offers all the investment properties for healthcare and/or healthcare-related purposes.

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). The liabilities are not analysed as the largest amount, namely the borrowings, are centrally managed.

There are no significant inter-segment transactions. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement is to evaluate the properties based on their returns and yields.

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26. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

Information about reportable segment profit or loss and assets (continued)

	Indonesia 2016 S\$'000	Singapore 2016 S\$'000	South Korea 2016 S\$'000	Total 2016 S\$'000
2016				
Profit or loss reconciliation				
Gross revenue	102,351	3,761	905	107,017
Net property income	101,734	3,318	783	105,835
Interest income	940	191	-	1,131
Manager's management fees				(10,584)
Trustee fees				(398)
Finance costs				(17,768)
Other expenses				(3,318)
Net income before the undernoted				74,898
Gain on divestment of investment property	512	-	-	512
Change in fair value of investment properties	(7,731)	(1,276)	92	(8,915)
Net gains in fair value of financial derivatives				(2,249)
Total return before income tax				64,246
Income tax (expense)/benefit	(23,967)	217	(155)	(23,905)
Total return after income tax				40,341
Assets				
Segment assets including properties	1,269,821	61,306	10,048	1,341,175
Total assets				1,341,175
2015				
Profit or loss reconciliation				
Gross revenue	96,126	3,687	885	100,698
Impairment allowance on trade receivables	-	-	(246)	(246)
Net property income	95,411	3,294	571	99,276
Interest income	23	208	-	231
Manager's management fees				(9,881)
Trustee fees				(372)
Finance costs				(16,538)
Other expenses				(2,738)
Net income before the undernoted				69,978
Change in fair value of investment properties	25,168	(1,000)	-	24,168
Net gains in fair value of financial derivatives				2,131
Total return before income tax				96,277
Income tax (expense)/benefit	(28,488)	159	(170)	(28,499)
Total return after income tax				67,778
Assets				
Segment assets including properties	1,240,372	65,252	9,538	1,315,162
Total assets				1,315,162

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26. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

Information about reportable segment profit or loss and assets (continued)

Revenues are attributed to countries on the basis of the location of the investment properties. The non-current assets are analysed by the geographical area in which the assets are located (see the statements of portfolio for the carrying value of these assets).

Revenue from the Group's top one customer in Indonesia amounted to S\$88,111,000 (2015: S\$88,452,000).

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

27A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Financial assets:</u>				
Cash and cash equivalents	33,576	26,827	22,719	23,606
Loans and receivables	29,789	14,512	60,599	60,606
Derivatives financial instruments at fair value	-	2,131	-	2,131
At end of year	63,365	43,470	83,318	86,343
<u>Financial liabilities:</u>				
Borrowings at amortised cost	413,609	442,565	413,609	442,565
Trade and other payables at amortised cost	16,879	17,360	26,872	27,716
Derivatives financial instruments at fair value	118	-	118	-
At end of year	430,606	459,925	440,599	470,281

Further quantitative disclosures are included throughout these financial statements.

There are no significant fair value measurements recognised in the statement of financial position.

27B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.

The chief financial officer of the Manager who monitors the procedures reports to the management of the Manager.

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27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27B. Financial risk management (continued)

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

27C. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables and other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings.

Note 18 discloses the maturity of the cash and cash equivalents balances.

The credit quality of the significant financial assets using an external or internal credit grading system is as follows:

	Moody's Ratings	
	2016	2015
Bank of East Asia	A3	-
CIMB Berhad	A3	A3
Hongkong & Shanghai Banking Corp Ltd	Aa2	Aa2
Overseas-Chinese Banking Corp Ltd	Aa1	Aa1
United Overseas Bank Ltd	Aa1	Aa1

For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is a significant concentration of credit risk on receivables, as the exposure is spread over a small number of counter-parties and debtors as disclosed in Note 26 on financial information by operating segments.

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
<u>Trade receivables:</u>				
1 to 90 days overdue	4,155	4,052	485	192
	4,155	4,052	485	192

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27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27C. Credit risk on financial assets (continued)

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Trade receivables:				
1 to 90 days overdue	-	-	-	-
91 to 180 days overdue	-	85	-	-
Over 180 days overdue	3,360	3,197	-	-
	3,360	3,282	-	-

The allowance which is disclosed in the Note 15 on trade and other receivables is based on individual amounts totaling S\$3,360,000 (2015: S\$3,282,000) that are determined to be impaired at the end of the reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity unless stated otherwise.

27D. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivatives financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows) where it relates to a variable amount payable, the amount is determined by taking reference to that last contracted rate:

	Less than 1 year S\$'000	2 – 5 years S\$'000	Total S\$'000
Non-derivatives financial liabilities			
<u>Group</u>			
<u>2016:</u>			
Borrowings	158,177	288,614	446,791
Trade and other payables	16,879	-	16,879
	175,056	288,614	463,670
<u>2015:</u>			
Borrowings	57,088	424,353	481,441
Trade and other payables	17,360	-	17,360
	74,448	424,353	498,801
<u>Trust</u>			
<u>2016:</u>			
Borrowings	158,177	288,614	446,791
Trade and other payables	26,872	-	26,872
	185,049	288,614	473,663
<u>2015:</u>			
Borrowings	57,088	424,353	481,441
Trade and other payables	27,716	-	27,716
	84,804	424,353	509,157

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27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27D. Liquidity risk – financial liabilities maturity analysis (continued)

	Notional Amount S\$'000	2 – 5 years S\$'000	Total S\$'000
Derivatives financial liabilities			
<u>Group and Trust</u>			
<u>2016:</u>			
Interest rate swaps (net settled)	166,937	(118)	(118)
<u>2015:</u>			
Interest rate swaps (net settled)	178,477	2,131	2,131

The remaining contractual maturity of derivatives financial liabilities of the Group and Trust are between 1 to 5 years, amounting to loss of S\$118,000 (2015: gain of S\$2,131,000) (Note 25).

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2015: 30 days). The other payables are with short-term durations.

The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The Manager also monitors and observes the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore concerning limits on total borrowings.

The Manager is of the view that cash from operating activities will be sufficient to meet the current requirements to support ongoing operations, capital expenditures, and debt repayment obligations. The Trust's structure necessitates raising funds through debt financing and the capital markets to fund strategic acquisitions and capital expenditures. The Manager also ensures that there are sufficient funds for declared and payable distributions and any other commitments.

	Group and Trust	
	2016	2015
	S\$'000	S\$'000
<u>Bank facilities:</u>		
Undrawn facilities	34,000	5,000

The undrawn facilities are available for refinancing existing loans, general corporate funding and working capital requirements of the Trust. The facilities expire in 2019 and 2020.

Notes to the Financial Statements

31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27E. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed interest rates and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group and Trust	
	2016 S\$'000	2015 S\$'000
<u>Financial liabilities:</u>		
Bank loans at floating rates	196,728	226,412
Bank loans at fixed rates	216,881	216,153
Total at the end of the year	413,609	442,565

The floating rate debt instruments are with interest rates that are re-set regularly at short notice. The interest rates are disclosed in the respective notes.

The Trust enters into interest rate swap agreements to manage the interest rate risk exposure arising from bank loans at floating rates (Note 25A). The notional amount of the interest rate swaps was S\$166,937,000 (2015: S\$178,477,000) as at 31 December 2016.

They are designed to convert floating rate borrowings to fixed rate exposure till 26 December 2017 and 23 December 2019 respectively at 2.94% to 3.98% (2015: 2.94% to 3.98%) per annum. Information on the maturity of the financial instruments with floating interest rate is provided in Note 22. The fair value (Level 2) of interest rate swaps is at a loss of S\$118,000 (2015: gain of S\$2,131,000).

Sensitivity analysis:

The analysis has been performed for fixed interest rate and floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses. The hypothetical changes in basis points are not based on observable market data (unobservable inputs). The impact of a change in interest rates on fixed interest rate financial instruments has not been assessed in terms of changing of their fair value, as the Group does not account for any fixed rate financial assets at fair value through profit or loss.

Notes to the Financial Statements

31 DECEMBER 2016

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

27E. Interest rate risk (continued)

A hypothetical change of 50 basis points (2015: 50 basis points) in interest rates with all variables including foreign exchange rates held constant, would increase (decrease) the total return by the amounts below:

	Statement of Total Return	
	50 basis points increase S\$'000	50 basis points decrease S\$'000
<u>Group and Trust</u>		
<u>2016</u>		
Borrowings	(1,077)	1,077
Interest rate swaps	879	(879)
Net (decrease) increase	(198)	198
<u>2015</u>		
Borrowings	(950)	950
Interest rate swaps	838	(838)
Net (decrease) increase	(112)	112

27F. Foreign currency risk

Analysis of the significant amounts denominated in non-functional currency:

	2016 S\$'000	2015 S\$'000
<u>Financial liabilities:</u>		
<u>US Dollar</u>		
Borrowings	20,135	19,674

Sensitivity analysis: A hypothetical 10% (2015: 10%) strengthening in the exchange rate of the functional currency, Singapore dollar, against the US dollar, with all other variables held constant would have a favourable effect on post-tax profit of S\$2,014,000 (2015: S\$1,967,000). For similar rate weakening of the functional currency against the relevant foreign currency above, there would be comparable impact in the opposite direction on the profit or loss.

Notes to the Financial Statements

31 DECEMBER 2016

28. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	2016 S\$'000	2015 S\$'000
Commitments in relation to Siloam Hospitals Surabaya	72,000	90,000

The above commitment pertains to the asset-enhancement transaction in relation to Siloam Hospitals Surabaya ("**SHS**"). The above commitment excludes the interest income earned from progress payments at 6% per annum, till 2019.

The transaction is a joint arrangement and asset swap with PT Saputra Karya ("**PT SK**") (a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk ("**PT LKT**"), the ultimate controlling party of the Trust) which involves:

(a) Divestment of Plot B

The divestment of a plot of land ("**Plot B**") which is owned by PT Tata Prima Indah ("**PT TPI**"), a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of the Trust, to PT SK;

(b) Development Works

The development works on Plot B and PT LKT's land adjacent to Plot B;

(c) The New SHS Acquisition and New SHS Master Lease

The acquisition of the new hospital ("**New SHS**") to be built pursuant to the Development Works by PT SK, with proposed master lease of the New SHS to PT LKT and the termination of existing master lease agreement between PT TPI (as the master lessor of the existing Siloam Hospitals Surabaya (the "**Existing SHS**")) and PT LKT. The total purchase consideration for the New SHS is S\$90 million and will be paid in progress payments.

(d) Divestment of the Existing SHS

The divestment of the Existing SHS to PT SK.

On 11 March 2016, the divestment of Plot B and the first progress payment were completed.

Based on the Development Works agreement signed by PT SK and PT TPI, should the development works be uncompleted, PT TPI has the right to terminate the agreement and progress payments committed, inclusive of all other related costs (except for value-added tax), are to be returned to PT TPI.

Notes to the Financial Statements

31 DECEMBER 2016

29. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At the end of the reporting year, the total of future minimum lease receivables committed under non-cancellable operating leases is as follows:

	Group		Trust	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Not later than one year	110,173	107,133	3,850	3,775
Later than one year and not later than five years	440,619	423,224	16,186	9,598
More than five years	445,603	518,997	19,062	13,120

The rental income for the year is disclosed in Note 4.

The Group has entered into commercial property leases for healthcare and/or healthcare related buildings. The non-cancellable leases have remaining non-cancellable lease terms and the tenants' options for renewals as disclosed in the statements of portfolio.

Generally, the lease agreements provide that the lessees pay rent on a quarterly basis in advance, which rent shall comprise: (a) an annual base rent for the first year of each lease and (b) a variable rent. The base rent is subject to increase every year thereafter subject to a floor of zero percentage and a cap of an agreed percentage. The variable rent is calculated based on a percentage of the growth of the lessee's gross revenue in the preceding calendar year. No contingent rent is included in the above amounts.

One of the tenants in Singapore also provided a bank guarantee in lieu of the security deposits of S\$1,345,000 (2015: S\$1,318,000) for rental income from one of the Singapore properties. Also see Note 3.

30. EVENTS AFTER THE END OF THE REPORTING YEAR

- a) On 17 January 2017, a final distribution of 2.13 cents per unit was declared totalling S\$16,514,000 in respect of the period from 1 October 2016 to 31 December 2016.
- b) On 17 January 2017, a total of 741,000 new units were issued at the issue price of S\$1.2666 per unit as payment to the Manager for management fees for the quarter ended 31 December 2016. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the quarter.
- c) On 17 January 2017, the Group and Lippo Mall Indonesia Retail Trust ("**LMIR Trust**") agreed to mutually terminate the conditional sales and purchase agreement ("**Property CSPA**") and joint venture agreement ("**JVA**") on the acquisition of an integrated property, which has a hospital and a retail mall ("**Yogyakarta Property**").
- d) On 9 January 2017, a distribution of S\$1,718,000 was paid to perpetual securities holders.

Notes to the Financial Statements

31 DECEMBER 2016

31. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS (“**INT FRS**”) were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative

32. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS (“**INT FRS**”) were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised 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.

FRS No.	Title	Effective date for periods beginning on or after
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 Jan 2017
FRS 109	Financial Instruments	1 Jan 2018
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 115	Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contract with Customers	1 Jan 2018
FRS 116	Leases	1 Jan 2019

Notes to the Financial Statements

31 DECEMBER 2016

33. LISTING OF INVESTMENTS IN SUBSIDIARIES

All the subsidiaries are wholly owned. The subsidiaries held by the Trust and the Group are listed below:

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2016 S\$'000	2015 S\$'000
<u>Held by the Trust</u>		
Gold Capital Pte. Ltd. ^(b) Singapore Investment holding	100,556	100,556
GOT Pte. Ltd. ^(b) Singapore Investment holding	85,793	86,919
Henley Investments Pte. Ltd. ^(b) Singapore Investment holding	43,497	44,539
Kalmore Investments Pte. Ltd. ^(b) Singapore Investment holding	7,966	7,966
Lovage International Pte. Ltd. ^(b) Singapore Investment holding	14,945	16,207
Platinum Strategic Investments Pte. Ltd. ^(b) Singapore Investment holding	27,256	28,900
Primerich Investments Pte. Ltd. ^(b) Singapore Investment holding	24,294	14,574
Raglan Investments Pte. Ltd. ^(b) Singapore Investment holding	50,861	53,338
Rhuddlan Investments Pte. Ltd. ^(b) Singapore Investment holding	78,957	80,611
Globalink Investments Pte. Ltd. ^(b) Singapore Investment holding	85,049	89,027
Great Capital Pte. Ltd. ^(b) Singapore Investment holding	81,464	85,403

Notes to the Financial Statements

31 DECEMBER 2016

33. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2016 S\$'000	2015 S\$'000
<u>Held by the Trust (continued)</u>		
Finura Investments Pte. Ltd. ^(b) Singapore Investment holding	28,477	29,860
Sriwijaya Investment I Pte. Ltd. ^(b) Singapore Investment holding	36,746	38,390
IAHCC Investment Pte. Ltd. ^(b) Singapore Investment holding	1*	1*
Surabaya Hospitals Investment Pte. Ltd. ^(b) Singapore Investment holding	1*	1*
SHKP Investment I Pte. Ltd. ^(b) Singapore Investment holding (Incorporated on 8 June 2015)	69,804	71,968
Icon1 Holdings Pte. Ltd. ^(b) Singapore Investment holding (Acquired on 3 February 2016)	1*	-
SHLB Investment I Pte. Ltd. ^(b) Singapore Investment holding (Incorporated on 30 June 2016)	20,796	-
	756,461	748,258
<u>Held by subsidiaries</u>		
Higrade Capital Pte. Ltd. ^(b) Singapore Investment holding	853	853
Ultra Investments Pte. Ltd. ^(b) Singapore Investment holding	321	321
Carmathen Investments Pte. Ltd. ^(b) Singapore Investment holding	1,033	1,033

Notes to the Financial Statements

31 DECEMBER 2016

33. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2016 S\$'000	2015 S\$'000
<u>Held by subsidiaries (continued)</u>		
Caernarfon Investments Pte. Ltd. ^(b) Singapore Investment holding	1,324	1,324
Fortuna Capital Pte. Ltd. ^(b) Singapore Investment holding	22	22
Key Capital Pte. Ltd. ^(b) Singapore Investment holding	3,826	3,826
Glamis Investments Pte. Ltd. ^(b) Singapore Investment holding	1,377	1,377
Sriwijaya Investment II Pte. Ltd. ^(b) Singapore Investment holding	1,722	1,722
SHKP Investment II Pte. Ltd. ^(b) Singapore Investment holding (Incorporated on 8 June 2015)	13,916	13,916
SHLB Investment II Pte. Ltd. ^(b) Singapore Investment holding (Incorporated 30 June 2016)	1,040	-
Kalmore (Korea) Limited ^(a) South Korea Owners of Sarang Hospital	3,887	3,887
PT Bayutama Sukses ^(a) Indonesia Owners of Siloam Hospitals Makassar	6,356	6,356
PT Graha Indah Pratama ^(a) Indonesia Owners of Siloam Hospitals Kebon Jeruk	10,333	10,333
PT Graha Pilar Sejahtera ^(a) Indonesia Owners of Siloam Hospitals Lippo Cikarang	8,306	8,306

Notes to the Financial Statements

31 DECEMBER 2016

33. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2016 S\$'000	2015 S\$'000
<i>Held by subsidiaries (continued)</i>		
PT Karya Sentra Sejahtera ^(a) Indonesia Owners of Imperial Aryaduta Hotel & Country Club	20,019	20,019
PT Menara Abadi Megah ^(a) Indonesia Owners of Siloam Hospitals Manado & Hotel Aryaduta Manado	5,500	5,500
PT Primatama Cemerlang ^(a) Indonesia Owners of Mochtar Riady Comprehensive Cancer Centre	17,065	17,065
PT Sentra Dinamika Perkasa ^(a) Indonesia Owners of Siloam Hospitals Lippo Village	8,779	8,779
PT Tata Prima Indah ^(a) Indonesia Owners of Siloam Hospitals Surabaya	8,013	8,013
PT Dasa Graha Jaya ^(a) Indonesia Owners of Siloam Hospitals Bali	16,553	16,553
PT Perisai Dunia Sejahtera ^(a) Indonesia Owners of Siloam Hospitals TB Simatupang	15,305	15,305
PT Eka Dasa Parinama ^(a) Indonesia Owners of Siloam Hospitals Purwakarta	5,509	5,509
PT Sriwijaya Mega Abadi ^(a) Indonesia Owners of Siloam Sriwijaya	6,887	6,887
PT Nusa Bahana Niaga ^(a) Indonesia Owners of Siloam Hospitals Kupang & Lippo Plaza Kupang (Acquired on 14 December 2015)	50,668	50,668

Notes to the Financial Statements

31 DECEMBER 2016

33. LISTING OF INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2016 S\$'000	2015 S\$'000
<u>Held by subsidiaries (continued)</u>		
PT Prima Labuan Bajo ^(a) Indonesia Owners of Siloam Hospitals Labuan Bajo (Incorporated on 27 July 2016)	4,160	-
<u>Joint Operation held by subsidiary, Icon I Pte. Ltd.</u>		
PT Yogya Central Terpadu ^(c) Indonesia Dormant (Incorporated on 14 March 2016)	*	-

(a) Audited by RSM Indonesia and Shinhan Accounting Corporation in South Korea, member firms of RSM International of which RSM Chio Lim LLP is a member.

(b) Audited by RSM Chio Lim LLP in Singapore.

(c) Not audited.

* Amount is less than S\$1,000

The investments include investments in redeemable preference shares that are redeemable at the option of the Singapore subsidiaries.

Interested Person Transactions

The transactions entered into with interested persons during the financial year ended 31 December 2016, which fall within the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Property Funds Appendix of the Code on Collective Investment Schemes (excluding transactions of less than S\$100,000 each) are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholder’s mandate pursuant to Rule 920) S\$’000	Aggregate value of all Interested Person Transactions during the financial year under review under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$’000
Bowsprit Capital Corporation Limited		
- Manager’s management fees	10,584	-
HSBC Institutional Trust Services (Singapore) Limited		
- Trustee’s fees	398	-
PT Lippo Karawaci TBK and its subsidiaries		
- Rental income	88,111	-

Saved as disclosed above, there will no additional interested person transactions (excluding transactions of less than S\$100,000 each) entered into during the financial year under review or any material contracts entered into by the Trust that involved the interests of the CEO, any Director or any controlling shareholder of the Trust.

Fees payable to the Manager in accordance with the terms and conditions of the Trust Deed dated 19 October 2016 (subsequently amended by First Supplemental Deed dated, Second Supplemental Deed dated 19 April 2010, Third Supplemental Deed dated 26 April 2011, Fourth Supplemental Deed dated 1 April 2013 and First Amending and Restating Deed dated 23 March 2016) are not subject to Rules 905 and 906 of the SGX-ST’s Listing Manual. Accordingly, such fees are not subject to aggregation and other requirements under Rules 905 and 906 of the SGX-ST’s Listing Manual.

Please see significant related party transactions on Note 3 in the financial statements.

Subscription of the Trust Units

During the financial year ended 31 December 2016, 3,610,814 new units and 31,148 new units were issued as payment of management fees and divestment fee.

Statistics of Unitholdings

AS AT 15 MARCH 2017

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	Number of Unitholders	%	Number of Units	%
1 - 99	153	1.85	6,509	0.00
100 - 1,000	590	7.14	460,444	0.06
1,001 - 10,000	4,298	52.04	22,975,931	2.96
10,001 - 1,000,000	3,189	38.61	162,017,923	20.90
1,000,001 and above	30	0.36	589,713,480	76.08
TOTAL	8,260	100.00	775,174,287	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name of Unitholders	Number of Units	%
1.	OCBC SECURITIES PRIVATE LIMITED	171,026,412	22.06
2.	UOB KAY HIAN PRIVATE LIMITED	79,070,747	10.20
3.	DB NOMINEES (SINGAPORE) PTE LTD	67,361,690	8.69
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	51,633,061	6.66
5.	DBS NOMINEES (PRIVATE) LIMITED	51,205,952	6.61
6.	BOWSPRIT CAPITAL CORPORATION LIMITED	41,123,279	5.31
7.	RAFFLES NOMINEES (PTE) LIMITED	25,195,547	3.25
8.	HSBC (SINGAPORE) NOMINEES PTE LTD	23,704,226	3.06
9.	DBSN SERVICES PTE. LTD.	13,399,740	1.73
10.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	10,947,251	1.41
11.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	10,359,838	1.34
12.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	6,621,098	0.85
13.	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,455,549	0.83
14.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	5,296,791	0.68
15.	PHILLIP SECURITIES PTE LTD	3,127,473	0.40
16.	BMT A/C ESTATE OF MSE ANGULLIA (WAKAFF) CLAUSE 7 TRUST	2,618,429	0.34
17.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,368,847	0.31
18.	TEH KIU CHEONG @TEONG CHENG @ CHENG CHIU CHANG	2,317,683	0.30
19.	LOW SENG JOO	2,000,010	0.26
20.	YAP CHONG HIN GABRIEL	1,767,644	0.23
	TOTAL	577,601,267	74.52

Statistics of Unitholdings

AS AT 15 MARCH 2017

SUBSTANTIAL UNITHOLDERS

(As at 15 March 2017)

No.	Name of Unitholders	No. of Units Direct Interest	No. of Units Deemed Interest
1.	Bridgewater International Ltd	167,187,367	-
2.	PT Sentra Dwimandiri ¹	-	167,187,367
3.	PT Menara Tirta Indah	44,056,264	-
4.	PT Primakreasi Propertindo ²	-	44,056,264
5.	PT Lippo Karawaci Tbk ³	-	256,366,910
6.	Bowsprit Capital Corporation Limited	45,123,279	-

Notes:

1. PT Sentra Dwimandiri is deemed to be interested in 167,187,367 Units held by its subsidiary, Bridgewater International Ltd.
2. PT Primakreasi Propertindo is deemed to be interested in 44,056,264 Units held by its wholly-owned subsidiary, PT Menara Tirta Indah.
3. PT Lippo Karawaci Tbk is deemed to be interested in (i) 167,187,367 Units held by its indirect wholly-owned subsidiary, Bridgewater International Ltd; (ii) 44,056,264 Units held by its indirect wholly-owned subsidiary, PT Menara Tirta Indah; and (iii) 45,123,279 Units held by Bowsprit Capital Corporation Limited.

MANAGER'S DIRECTORS' UNITHOLDINGS

(As recorded in the Register of Directors' Unitholdings as at 21 January 2017)

	No. of Units Direct Interest	No. of Units Deemed Interest
1. Albert Saychuan Cheok	1,159,271	-
2. Dr Ronnie Tan Keh Poo @ Tan Kay Poo	90,493	12,302,206 ¹

Note:

1. Dr Ronnie Tan Keh Poo @ Tan Kay Poo is deemed to be interested in (i) 3,756,000 Units held by his nominee, Maybank Kim Eng Securities Pte. Ltd.; (ii) 690,390 Units held by his nominee, OCBC Nominees Singapore Pte Ltd; (iii) 5,369,546 Units held by his nominee CIMB Securities (Singapore) Pte. Ltd.; (iv) 2,151,853 Units held by his nominee, UOB Kay Hian Private Limited; (v) 216,617 Units held by DBS Nominees Pte. Ltd., as nominee of his spouse Mdm Law Deborah; and (vi) 117,800 Units held by his spouse Mdm Law Deborah.

FREE FLOAT

Based on the information made available to the Manager as at 15 March 2017, approximately 65.16% of the Units in First REIT are held in hands of the Public. Accordingly, First REIT is in compliance with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

FIRST REAL ESTATE INVESTMENT TRUST

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

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting (“**AGM**”) of the holders of units of First Real Estate Investment Trust (“**First REIT**”, and the holders of units of First REIT, the “**Unitholders**”) will be held at Mandarin Ballroom III, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Tuesday, 18 April 2017 at 9:30 a.m. to transact the following business:

(A) AS ORDINARY BUSINESS

1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited, as trustee of First REIT (the “**Trustee**”), the Statement by Bowsprit Capital Corporation Limited, as manager of First REIT (the “**Manager**”) and the Audited Financial Statements of First REIT for the financial year ended 31 December 2016 together with the Auditors’ Report thereon. **(Ordinary Resolution 1)**
2. To re-appoint RSM Chio Lim LLP as Auditors of First REIT and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration. **(Ordinary Resolution 2)**

(B) AS SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without any modifications, the following resolution as an Ordinary Resolution:

3. That pursuant to Clause 5 of the trust deed constituting First REIT (as amended) (the “**Trust Deed**”) and the listing rules of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Manager be authorised and empowered to:
(Ordinary Resolution 3)
 - (a) (i) issue units in First REIT (“**Units**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

- (b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

- (1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders (including Units to be issued in pursuance of Instruments to be made or granted pursuant to this Resolution) shall not exceed twenty per cent (20.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

Notice of Annual General Meeting

- (2) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of Units and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Units and Instruments shall be based on the total number of issued Units (excluding treasury Units, if any) at the time of the passing of this Resolution, after adjusting for:
 - (a) any new Units arising from the conversion or exercise of the Instruments or any convertible securities which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Units;
- (3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed constituting First REIT (as amended) for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by Unitholders in a general meeting of First REIT, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next AGM of First REIT or (b) the date by which the next AGM of First REIT is required by the applicable laws and regulations or the Trust Deed to be held, whichever is earlier or (ii) in the case of Units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and
- (6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of First REIT to give effect to the authority conferred by this Resolution.

(Please see Explanatory Note)

By Order of the Board
Bowsprit Capital Corporation Limited
as Manager of First Real Estate Investment Trust
Company Registration No. 200607070D

Victor Lai Kuan Loong
Susie Low Geok Eng
Company Secretaries

Singapore
31 March 2017

Notice of Annual General Meeting

Explanatory Note:

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of the Unitholders of First REIT, or (ii) the date by which the next AGM of the Unitholders of First REIT is required by the applicable laws and regulations or the Trust Deed to be held, or (iii) such authority is varied or revoked by the Unitholders in a general meeting, whichever is the earliest, to issue Units, make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any), with a sub-limit of twenty per cent (20.0%) for issues other than on a pro rata basis to Unitholders.

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time this Ordinary Resolution is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Important Notice:

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

"Relevant intermediary" means:

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

Personal data privacy:

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

Proxy Form Annual General Meeting

(Please see notes overleaf before completing this Form)

FIRST REAL ESTATE INVESTMENT TRUST

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

IMPORTANT:

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

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 31 March 2017.

I/We, NRIC/Passport No.

of

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Eighth Annual General Meeting (the "**Meeting**") of Unitholders of First REIT to be held at Mandarin Ballroom III, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Tuesday, 18 April 2017 at 9:30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

No.	Ordinary Resolutions	No. of votes 'For'	No. of votes 'Against'
	ORDINARY BUSINESS		
1	To receive and adopt the Report of the Trustee, the Statement by the Manager, the Audited Financial Statements of First REIT for the financial year ended 31 December 2016 and the Auditors' Report thereon		
2	To re-appoint RSM Chio Lim LLP as Auditors of First REIT and to authorise the Manager to fix the Auditors' remuneration		
	SPECIAL BUSINESS		
3	To authorise the Manager to issue new Units and to make or grant convertible instruments		

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

Dated this day of 2017

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

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

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to the Proxy Form:

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

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or
 - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his or her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he or she should insert that number of Units. If the Unitholder has Units registered in his or her name in the Register of Unitholders, he or she should insert that number of Units. If the Unitholder has Units entered against his or her name in the said Depository Register and Units registered in his or her name in the Register of Unitholders, he or she should insert the aggregate number of Units entered against his or her name in the Depository Register and registered in his or her name in the Register of Unitholders. If no number is inserted, the Proxy Form will be deemed to relate to all the Units held by the Unitholder.

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4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Unit Registrar's Office at Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for holding the Meeting.
5. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a Unitholder from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Meeting in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
7. The Manager shall have the right to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager (a) may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his or her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier than 72 hours prior to the time of the Meeting, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
8. All Unitholders will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
9. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he or she is a Unitholder. There shall be no division of votes between a Unitholder who is present and voting at the Meeting and his or her proxy(ies). A person entitled to more than one vote need not use all his or her votes or cast them the same way.

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Affix
Postage
Stamp

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

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Managed by:

Bowsprit Capital

BOWSPRIT CAPITAL CORPORATION LIMITED

50 Collyer Quay, #06-01 OUE Bayfront, Singapore 049321
Tel: (65) 6435 0168 | Fax: (65) 6435 0167

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