



REPOSITIONED FOR **GROWTH**

==== ANNUAL REPORT 2018 ====

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REPOSITIONED FOR GROWTH

In October 2018, OUE Limited (“**OUE**”) and OUE Lippo Healthcare Limited (“**OUELH**”) took full ownership of Bowsprit Capital Corporation Limited (“**Bowsprit**” or the “**Manager**”), the Manager of First Real Estate Investment Trust (“**First REIT**” or the “**Trust**”), and a significant stake in the Trust. With OUE and OUELH on board, First REIT has access to a more diversified pool of assets and a broader healthcare network. Through the right-of-first-refusal (“**ROFR**”) from OUELH, on top of the ROFR granted by PT Lippo Karawaci Tbk (“**Lippo Karawaci**”), First REIT is able to capitalise on the growing demand for quality and affordable healthcare services in the Asia Pacific region, well positioning the Trust for a new era of growth.



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.

The Trust has a portfolio of 20 properties across Asia, with a total asset value of S\$1.35 billion. These include 16 properties in Indonesia comprising 12 hospitals, two 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. Siloam is a subsidiary of Lippo Karawaci, First REIT's Sponsor, who has a healthy pipeline of hospitals to which First REIT has a ROFR. With OUE and OUE LH's acquisition of Bowsprit and OUE LH's stake in First REIT, the Trust now has another ROFR from OUE LH, and opportunities to tap on its growing healthcare network across Pan-Asia.

**S\$1.35
billion**

Total Assets-Under-
Management

**350,850
sqm**

Total GFA of
Properties

100%

Total Committed
Occupancy

5,092

Total No. of Beds /
Saleable Rooms

8.5 years

Weighted Average
Lease Expiry

102.51 S¢

Net Asset Value
Per Unit



AT A GLANCE

RIGHT-OF-FIRST- REFUSAL AGREEMENTS

- First REIT has the ROFR to Lippo Karawaci's pipeline of healthcare properties in Indonesia to be operated by Siloam
- Siloam is the largest and most prominent hospital group in Indonesia, currently operating more than 30 state-of-the-art hospitals across Indonesia
- First REIT has another ROFR from OUE LH, and opportunities to tap on its growing healthcare network across Pan-Asia



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
- In South Korea, Sarang Hospital is centrally located and is one of the largest rehabilitation treatment and nursing services facilities in Yeosu City



STABLE AND STRONG DISTRIBUTION MODEL

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



DIVERSIFIED PORTFOLIO OF 20 PROPERTIES VALUED AT S\$1.35 BILLION

- Indonesia: 12 hospitals, 2 integrated hospital & malls, 1 integrated hospital & hotel and 1 hotel & country club
- Singapore: 3 nursing homes
- South Korea: 1 hospital

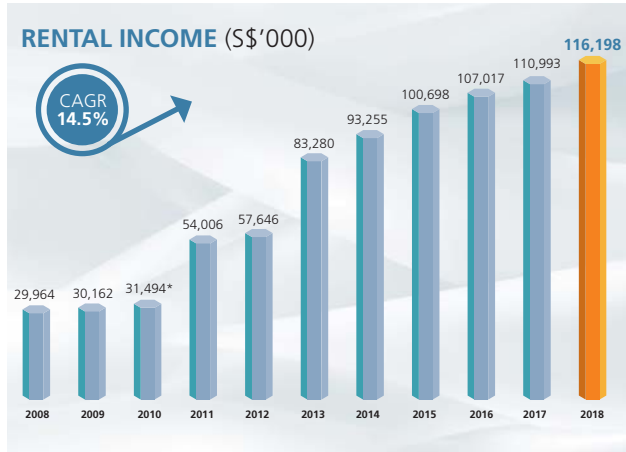
TRIPLE-NET LEASES

- Leases for Indonesia properties are pegged to SGD to mitigate forex volatility
- Leases for Singapore properties are denominated in SGD
- 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

WELL-DEFINED ACQUISITION STRATEGY

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

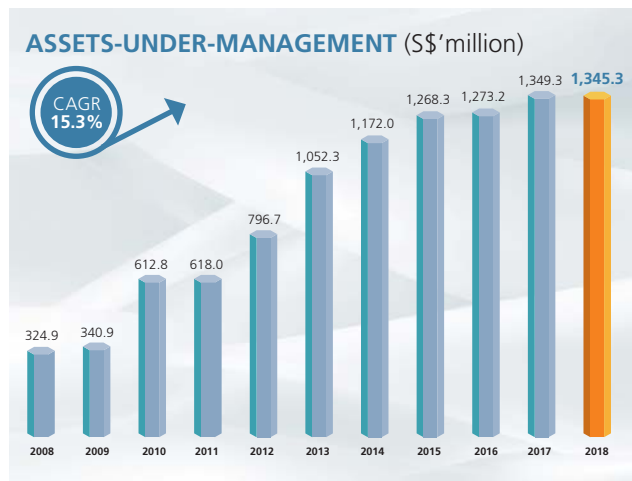
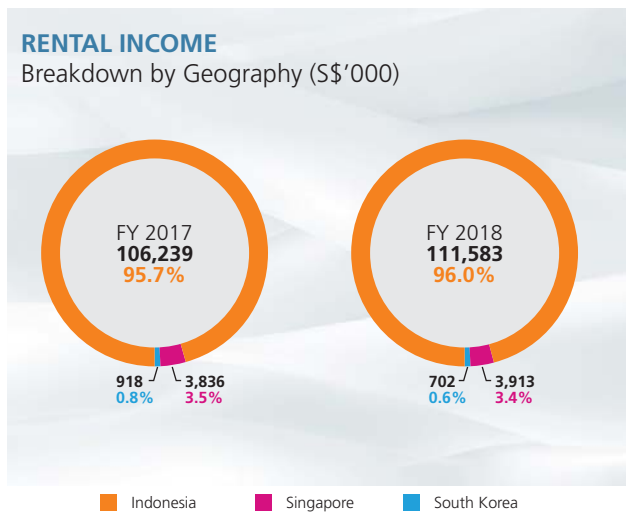
FINANCIAL HIGHLIGHTS



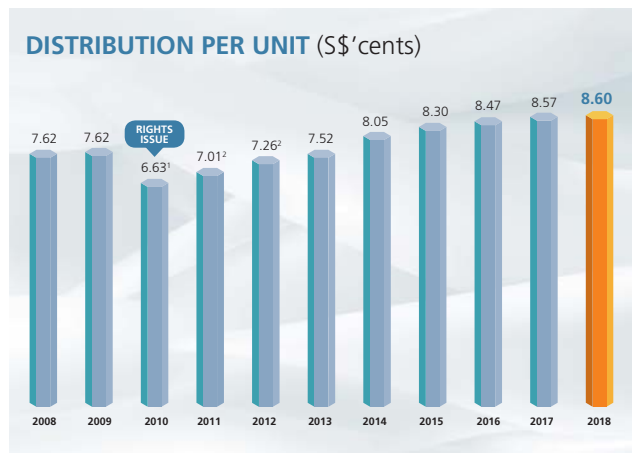
* Includes deferred rental income from the Adam Road hospital as at 31 December 2010, which was divested on 25 March 2011



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



* Including other gain distribution



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 2018	As at 31 Dec 2017
Total Assets	1,438,774	1,423,847
Total Liabilities	569,621	571,532
Unitholders' Funds	808,275	791,437
NAV Per Unit	102.51¢	101.47¢

GEARING

	As at 31 Dec 2018	As at 31 Dec 2017
Total Debt*	S\$503.0 million	S\$478.6 million
Interest Cover	4.7 times	5.5 times
Debt-to-Property	35.0%	33.6%

* Before transaction costs

EARNINGS PER UNIT

	As at 31 Dec 2018	As at 31 Dec 2017
Earnings Per Unit	9.23¢	9.02¢
Number of Units	788,479,925	779,954,506
Weighted Average No. of Units	785,322,205	776,728,741

RENTAL INCOME

Tenant	%
PT Lippo Karawaci Tbk and subsidiaries ¹	82.21
PT Metropolis Propertindo Utama and subsidiaries ²	12.44
Subsidiaries of PT Siloam International Hospitals Tbk ³	1.38
The Lantor Residence Pte. Ltd.	1.43
Pacific Healthcare Nursing Home Pte. Ltd.	0.98
Pacific Eldercare and Nursing Pte. Ltd.	0.96
Dr. Park Ki Ju	0.60

Note

1 The subsidiaries of PT Lippo Karawaci include PT East Jakarta Medika and PT Andromeda Sakti.

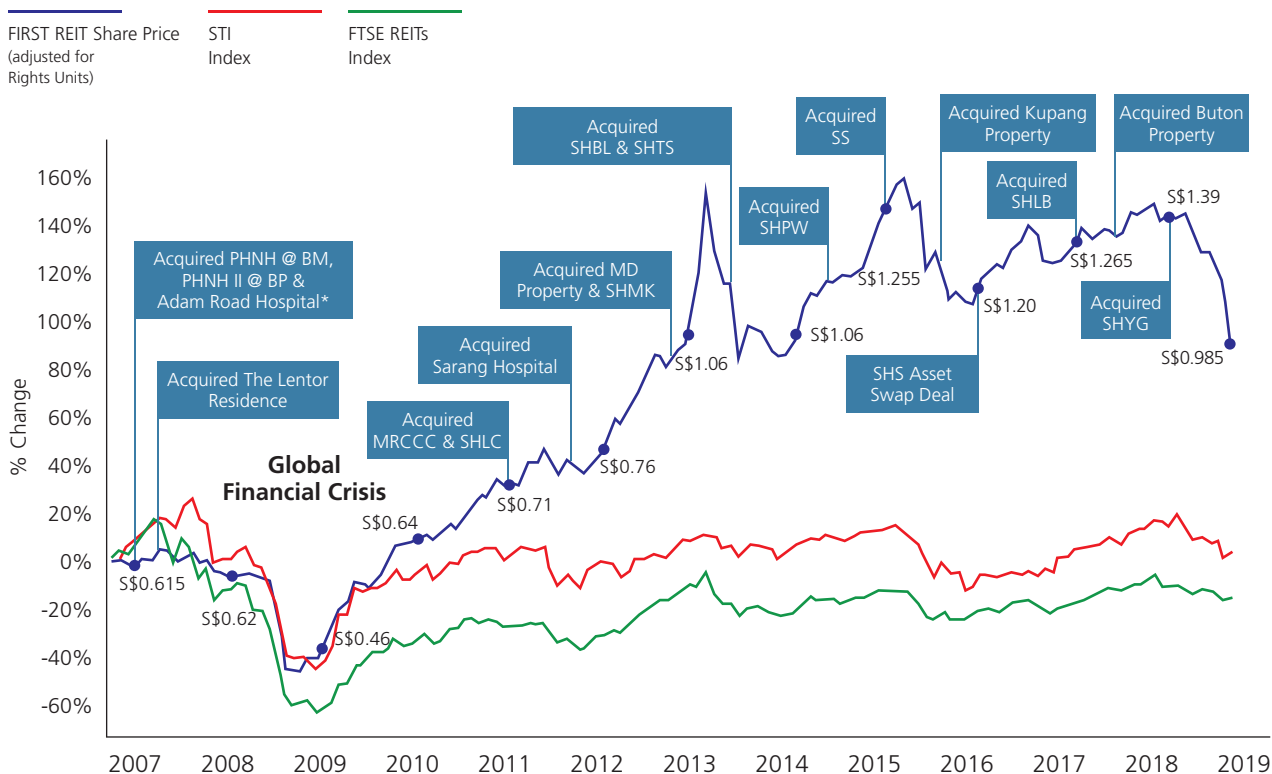
2 The subsidiaries of PT Metropolis Propertindo Utama include PT Bumi Sarana Sejahtera.

3 The subsidiaries of PT Siloam Hospitals Tbk are PT Bina Bahtera Sehati, PT Lintas Buana Jaya and PT Taruna Perkasa Megah.

FINANCIAL HIGHLIGHTS

SHARE PRICE PERFORMANCE

First REIT vs Benchmark Indices



* Adam Road Hospital was divested on 25 March 2011

UNIT PRICE PERFORMANCE

	2018
IPO Offering Price (Dec 2006)	S\$0.710
As at last trading day of the year	S\$0.985
Highest	S\$1.420
Lowest	S\$0.920
Trading Volume in FY 2018 (million units)	249.189

AS AT 31 DECEMBER 2018

Number of Units in Issue	788,479,925
Market capitalisation	S\$776.7 million

LETTER TO UNITHOLDERS

Dear Unitholders

STRONG FUNDAMENTALS

First REIT has remained steadfast in nurturing its well-harnessed growth pillars to build a stable and expanding portfolio of assets to deliver sustained growth over the years. As at 31 December 2018, the Trust has a strong portfolio of 20 income-producing properties located in Indonesia, Singapore and South Korea with an aggregate asset value of S\$1.35 billion. These properties have continued to support the Trust's performance and steady growth over the past year.

For financial year ended 31 December 2018 ("FY 2018"), the Trust continued to deliver year-on-year ("y-o-y") distribution per unit ("DPU") growth of 0.4% to 8.60 Singapore cents, translating to an attractive yield of 8.7%

“With both OUE and OUELH on board, First REIT is well-positioned to tap on the growing demands for quality healthcare services in other parts of Asia in which the Trust has yet to establish a presence.”

Mr Christopher James Williams
Chairman and Non-Independent
Non-Executive Director



Mr Tan Kok Mian Victor
Executive Director and
Chief Executive Officer



LETTER TO UNITHOLDERS

based on closing price of S\$0.985 as of 31 December 2018. This was achieved on the back of distributable income for the year increasing 1.4% to S\$67.7 million from S\$66.7 million in the previous financial year (“**FY 2017**”).

Supported by incremental rental income from existing assets as well as full year contributions from the two acquisitions made in FY 2017, namely the Buton Property – an integrated development comprising a hospital and a mall, and Siloam Hospitals Yogyakarta, the Trust managed to deliver sustained growth for FY 2018. Rental income and net property income for the year grew 4.7% and 4.5% to S\$116.2 million and S\$114.4 million respectively.

RESHAPING FOR FURTHER GROWTH

During the year, the Trust welcomed a new sponsor, OUE LH, who acquired a 10.6%¹ stake or 83,593,683 units in First REIT from Bridgewater International Limited, an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk (“**PT LK**”). Additionally, there was also a change in Bowsprit’s ownership with OUE (OUE LH’s parent company) and OUE LH acquiring 60.0% and 40.0% shareholding in Bowsprit respectively, from LK REIT Management Pte Ltd., an indirect wholly owned subsidiary of PT LK (the “**Transaction**”).

With both OUE and OUE LH on board, First REIT is well-positioned to tap on the growing demands for quality healthcare services in other parts of Asia in which the Trust has yet to establish a presence. Following the completion of the Transaction in October 2018, in addition to the ROFR to Lippo Karawaci’s growing pipeline of healthcare assets under the Siloam Hospitals network in Indonesia for acquisition, First REIT will also have access to parts of OUE LH’s growing network of healthcare properties.

We intend to diversify our income streams from a wider geographical market (whether by exploring opportunities presented by OUE LH’s pan-Asian network or other opportunities in the market), in line with our short-term

roadmap of rebalancing our assets. Going forward, the Trust will also continue to explore opportunities to unlock the value of our existing portfolio through asset enhancement initiatives or strategic divestment of assets for capital gains.

PRUDENT CAPITAL STRUCTURE

During the year, First REIT continued to be disciplined with its capital management, maintaining a stable gearing of 35.0% with interest cover at 4.7 times as at 31 December 2018. Of its total debt of S\$503.0 million, 59.01% is on a fixed-rate basis to mitigate fluctuating interest rates, with weighted average cost of debt at 3.84% per annum.

In addition to the S\$400.0 million syndicated secured loan facilities obtained from Oversea-Chinese Banking Corporation Limited (“**OCBC**”) in January 2018, the Trust also obtained a S\$100.0 million term loan facility from CIMB Bank Berhad, Labuan Offshore Branch (“**CIMB**”) in May 2018, which was fully drawn down to refinance First REIT’s S\$100.0 million Fixed Rate Notes previously due in the same month. The new loan facility has a tenure of six months and an option to extend for another six months, to which First REIT has exercised the extension option. As a result of the above-mentioned facilities, other than term loans of S\$110.0 million due in 2019, First REIT has managed to defer its refinancing requirements till 2021.

POSITIVE OUTLOOK

With OUE LH’s strong healthcare network across Pan-Asia, First REIT is now well-positioned to tap on the growing healthcare opportunities in the Asia Pacific region.

The Asia Pacific healthcare market is on track to achieve unprecedented growth with total healthcare spending projected to surge to US\$2.3 trillion by 2026 from US\$1.7 trillion in 2017, outpacing growth in the United States and Europe². The growth will largely be driven by higher healthcare costs, rising incidence of chronic diseases and an ageing population.

¹ Calculated based on 788,479,925 units of First REIT, being the total number of issued units outstanding as at 31 December 2018

² 31 October 2018, Singapore Business Review – Asia hailed as world’s fastest-growing healthcare market

LETTER TO UNITHOLDERS

According to a United Nations Economic and Social Commission for Asia and the Pacific report³, the number of older persons in the region is expected to more than double, from 535 million in 2015 to about 1.3 billion in 2050. This is expected to lead to greater regional demand for healthcare services.

In Indonesia, based on data from Statistics Indonesia's report, "Indonesia Population Projections 2015 – 2045", the country's estimated population is expected to surpass 310 million in 2045, and the percentage of the elderly will reach 19.8% of the entire country's estimated population.

These projections suggest that the demand for healthcare services will continue to grow in Indonesia, which is currently underserved at only three doctors per 10,000 people, far below the global average of 14, and a bed-to-population ratio of 1.3 per 1,000 people⁴. With First REIT's existing portfolio of 15 hospitals in Indonesia and a healthy pipeline of hospital assets from Lippo Karawaci for acquisition, the Trust is well-positioned to grow its assets to serve the rising healthcare needs.

APPRECIATION

Along with these new growth trajectories, the Board of Directors has also undergone a renewal with the addition of new directors and the stepping down of Mr Carl Gabriel Florian Stubbe and Mr Wong Gang from their respective roles as Chairman and Independent Director of the Board.

In my capacity as the new Chairman of the Board and together with Victor Tan, CEO of the Manager, we would like to extend our deepest appreciation to Mr Stubbe and Mr Wong for all their contributions.

At the same time, we would like to welcome Mr Chan Pengee Adrian as Lead Independent Director and Mr Ferris Charles Bye as Independent Director, to the Board. We look forward to the synergies we can create as a new team.

To our management and staff, thank you for your hard work and dedication. To our Sponsors, business partners, bankers and tenants, we look forward to your continued support. Lastly, to our Unitholders, thank you for your faith in us. We are optimistic about the growing healthcare prospects in the Asia Pacific region and endeavour to continue to deliver growing returns to our Unitholders.

Mr Christopher James Williams

Chairman

Mr Tan Kok Mian Victor

Chief Executive Officer

*Bowsprit Capital Corporation Limited
As Manager of First REIT*

3 1 October 2017, United Nations ESCAP – Older persons key players in global development agenda

4 Healthcare Asia Magazine – 2018 Healthcare Asia Forum

BOARD OF DIRECTORS



From Left

Seated:

Mr Ketut Budi Wijaya (Non-Independent Non-Executive Director)

Mr Tan Chuan Lye (Independent Director)

Mr Chan Pengee Adrian (Lead Independent Director)

Standing:

Mr Martin Lechner (Independent Director)

Mr Tan Kok Mian Victor (Executive Director and Chief Executive Officer)

Mr Christopher James Williams (Chairman and Non-Independent Non-Executive Director)

Mr Ferris Charles Bye (Independent Director)

BOARD OF DIRECTORS



MR CHRISTOPHER JAMES WILLIAMS

Chairman and Non-Independent Non-Executive Director
Appointed on 26 October 2018

Mr Christopher James Williams is the Chairman and Non-Independent Non-Executive Director of the Board of the Manager.

Mr Williams is a founding partner of Howse Williams, Hong Kong, which he co-founded in 2012 as an independent Hong Kong law firm. Mr Williams was responsible in particular for establishing the non-contentious area of the practice. Howse Williams has subsequently grown to become one of the leading independent law firms in Hong Kong.

Prior to co-founding Howse Williams, Mr Williams was from 1994 a partner in Richards Butler, an international law firm which merged with the US law firm Reed Smith in 2008, and was throughout this period based in Hong Kong.

Mr Williams is presently the deputy chairman of OUE Limited and a non-independent non-executive director of OUE Hospitality REIT Management Pte. Ltd. ("**OUEHRM**") and OUE Hospitality Trust Management Pte. Ltd. ("**OUEHTM**"). He was also the chairman of the board of directors of OUEHRM and OUEHTM from April 2013 to November 2017.

Mr Williams has also been the chairman and a non-independent non-executive director of OUE Commercial REIT Management Pte. Ltd. since October 2013 and a director of OUB Centre Limited since January 2014.

Mr Williams specialises in corporate finance, mergers and acquisitions, direct investment and corporate restructurings and reorganisations. He also advises on corporate governance and compliance. His practice encompasses Hong Kong and the Asia Pacific region, particularly Indonesia and Singapore. He has been named in the *Guide to the World's Leading Mergers and Acquisitions Lawyers*, published by Euromoney Publications PLC, and the *International Who's Who of Merger and Acquisition Lawyers*, published by Law Business Research, as one of the world's top mergers and acquisitions lawyers.

Mr Williams qualified as a solicitor in England and Wales in 1986 and was admitted as a solicitor in Hong Kong in 1991. He holds a Bachelor of Arts (Honours) in International Relations and Economics from the University of Reading, United Kingdom.

Directorships in Listed Companies:

- OUE Limited, Deputy Chairman
- OUE Hospitality REIT Management Pte. Ltd.
(as manager of OUE Hospitality Real Estate Investment Trust), Non-Independent Non-Executive Director
- OUE Hospitality Trust Management Pte. Ltd.
(as trustee-manager of OUE Hospitality Business Trust), Non-Independent Non-Executive Director
- OUE Commercial REIT Management Pte. Ltd.
(as manager of OUE Commercial Real Estate Trust),
Chairman and Non-Independent Non-Executive Director

Principal Commitments:

- Howse Williams, Founding Partner

BOARD OF DIRECTORS

MR TAN KOK MIAN VICTOR

Executive Director and Chief Executive Officer
Appointed on 19 May 2017

Mr Tan Kok Mian Victor is the Executive Director and Chief Executive Officer of the Manager.

Mr Tan joined the Manager as senior finance manager in April 2008 and was responsible for the financial operations of the Manager. He was appointed as chief financial officer of the Manager in July 2008.

Prior to joining the Manager, Mr Tan was with Parkway Holdings Limited (“**Parkway**”) as an accountant in 1997 and 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 professional qualifications from the Association of Chartered Certified Accountants (ACCA). He is a Chartered Accountant of the Institute Singapore Chartered Accountants and a fellow member of ACCA.



Directorships in Listed Companies:

NIL

Principal Commitments:

NIL



MR CHAN PENGEE ADRIAN

Lead Independent Director
Appointed on 26 October 2018

Mr Chan Pengee Adrian is the Lead Independent Director of the Manager. He serves as the Chairman of the Nominating & Remuneration Committee and a member of the Audit Committee of the Manager.

Mr Chan is head of the Corporate Department and a senior partner at law firm, Lee & Lee. He is on the board of the Accounting and Corporate Regulatory Authority (“**ACRA**”) of Singapore, vice-chairman of the Singapore Institute of Directors and a member of the Legal Service Commission and the council of the Law Society of Singapore.

He is an independent director on the boards of Yoma Strategic Holdings Ltd; Global Investments Limited, Ascendas Funds Management (S) Limited; Hong Fok Corporation Limited, AEM Holdings Ltd and Best World International Limited all of which are listed on the Singapore Exchange Securities Trading Limited. He also serves on the Catalyst Advisory Panel of the Singapore Exchange Limited. He is the chairman of both the Corporate Practice Committee of the Law Society of Singapore and the Panel of the Institute of Corporate Law at ACRA. He sits on the Corporate Governance and Regulations Committee of the Singapore International Chamber of Commerce and the board of Shared Services for Charities Limited, which is a registered charity and an Institution of a Public Character. He currently lectures on Corporate Governance for the Singapore Institute of Legal Education and the Bar Admissions and Examinations.

Mr Chan has previously held directorships in Biosensors International Group, Ltd and Nobel Design Holdings Ltd.

Mr Chan holds a Bachelor of Laws (Honours) from the National University of Singapore.

Directorships in Listed Companies:

- Yoma Strategic Holdings Ltd, Independent Director
- Global Investments Limited, Independent Director
- Ascendas Fund Management (S) Limited, Independent Director
- Hong Fok Corporation Limited, Independent Director
- AEM Holdings Limited, Independent Director
- Best World International Limited, Independent Director

Principal Commitments:

- Lee & Lee, Senior Partner – Head of Corporate
- Law Society of Singapore, Council Member
- Association of Small and Medium Enterprise, Honorary Secretary, Executive Council
- Pro-Enterprise Panel, Panel Member
- Accounting and Corporate Regulatory Authority, Board Member
- Legal Service Commission, Member
- Singapore Management University’s Enterprise Board, Member

BOARD OF DIRECTORS

MR TAN CHUAN LYE

Independent Director
Appointed on 5 April 2017

Mr Tan Chuan Lye is the Independent Director of the Manager. He serves as a member of the Audit Committee and the Nominating & Remuneration Committee of the Manager.

Mr Tan is an Adjunct Associate Professor with the NUS Business School, National University of Singapore. He is the chairman of the Audit & Risk Committee of the Asia Advisory Board of EFG Bank AG, an independent director and member of both audit & risk committee; and nominating and remuneration committee of Isetan (Singapore) Limited, an independent director and chairman of audit committee of Sompo Insurance Singapore Pte. Ltd, and audit committee member of A*Star. Mr Tan also sits on the board of several charities in Singapore.

Mr Tan retired as a partner with Risk Consulting in KPMG Advisory LLP where his areas of focus included corporate governance, enterprise risk management, and internal audit. Prior to KPMG, he spent more than 20 years with various international banks where he held senior management positions in internal audit and operational risk management including as a regional head.

Mr Tan graduated from the Henley Management College/University of Reading with Master of Business Administration. He is a non-practising fellow member of the Institute of Singapore Chartered Accountants, a fellow member of The Association of Chartered Certified Accountants (UK) and an associate member of The Institute of Management Accountants (UK).



Directorships in Listed Companies:

- Isetan (Singapore) Limited, Independent Director

- EFG Bank AG, Member, Asia Advisory Board
- The Boys' Brigade of Singapore, Treasurer
- Singapore Repertory Theatre, Board Member
- All Saints Home, Board Member
- Brash Trust, Board of Trustees

Principal Commitments:

- National University of Singapore, Adjunct Associate Professor
- Sompo Insurance Singapore Pte. Ltd., Independent Director



MR MARTIN LECHNER

Independent Director
Appointed on 8 January 2018

Mr Martin Lechner is the Independent Director of the Manager. He serves as a member of the Audit Committee of the Manager.

Mr Lechner is the founding partner and chief investment officer of Corecam Pte Ltd, a Family Office asset management company. Prior to founding Corecam Pte. Ltd, Mr Lechner was founding partner and chairman of the board of Proprietary Partners AG, a long/short equity hedge fund with focus on Germany and Switzerland.

Mr Lechner started his career at Dresdner Kleinwort Benson in the Global Markets division as a proprietary trader for USD and local currency emerging market bonds.

Mr Lechner is a non-executive director of Corecam Holding AG and Hydroinformatics Institute Pte. Ltd., and holds executive director position in Corecam Pte. Ltd., Corecam Capital Partners Pte. Ltd. and Corecam Digital Pte. Ltd.

Mr Lechner graduated from the University of Passau, Germany with Master Diploma in Business Administration and holds an Executive Master of Business Administration (Spot Program) from INSEAD, France.

Directorships in Listed Companies:

NIL

Principal Commitments:

- Corecam Pte. Ltd., Executive Director
- Corecam Capital Partners Pte. Ltd., Executive Director
- Corecam Digital Pte. Ltd., Executive Director

BOARD OF DIRECTORS

MR FERRIS CHARLES BYE

Independent Director

Appointed on 26 October 2018

Mr Ferris Charles Bye is the Independent Director of the Manager and serves as Chairman of the Audit Committee of the Manager.

Mr Bye currently advises a number of investment holding companies. Prior to this, he was managing director of a private equity investment company for a period of 14 years.

Before his private equity experience, Mr Bye served as director in international stockbroker companies for a period of 12 years. The stock markets covered by the companies included Hong Kong, Shanghai, Shenzhen, Singapore, Malaysia, Thailand and Indonesia.

He was, until recently, a member of the General Committee of Hong Kong Country Club for 8 years. This included one year as chair of the committee.

Mr Bye qualified as a chartered accountant in 1978.



Directorships in Listed Companies:

NIL

Principal Commitments:

NIL



MR KETUT BUDI WIJAYA

Non-Independent Non-Executive Director

Appointed on 7 September 2012

Mr Ketut Budi Wijaya is the Non-Independent Non-Executive Director of the Manager. He serves as a member of the Nominating & Remuneration Committee of the Manager.

During his career, he 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. He brings with him more than 30 years of in-depth expertise in accounting and corporate finance.

Mr Wijaya is the chairman, non-independent non-executive director of LMIRT Management Ltd, the manager of Lippo Malls Indonesia Retail Trust ("**LMIR 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. He holds concurrent position as the president director of PT Siloam International Hospitals Tbk, the largest listed private hospital network in Indonesia, also commissioner of PT Gowa Makassar Tourism Development Tbk and other subsidiaries of PT Lippo Karawaci group.

Mr Wijaya was the president commissioner of PT Lippo Cikarang Tbk, commissioner of PT Jababeka Tbk, commissioner of PT Multifiling Mitra Indonesia Tbk and other positions within Lippo Group.

Mr Wijaya graduated from Sekolah Tinggi Ekonomi Indonesia with an Accounting Major in 1992.

Directorships in Listed Companies:

- LMIRT Management Ltd. (as manager of LMIR Trust), Chairman of the Board and Non-Independent Non-Executive Director

Principal Commitments:

- Peninsula Investment Limited, Non-Executive Director
- PT Lippo Karawaci Tbk, President Director
- PT Siloam International Hospitals Tbk, President Director
- PT Gowa Makassar Tourism Development Tbk, Commissioner

KEY MANAGEMENT



MS NG CHWEE NGOR, VALERIE

Chief Financial Officer

Ms Ng Chwee Ngor, Valerie joined Bowsprit in September 2008 as Senior Finance Manager and was responsible for financial matters of First REIT and the Manager. She was the Financial Controller from January 2014 and was appointed Chief Financial Officer in February 2018, overseeing all matters relating to financial reporting, taxation, capital management, treasury and risk management.

Prior to joining Bowsprit, Ms Ng worked at Parkway Holdings Limited from 2001 to 2008. She joined them as Assistant Group Accountant and was subsequently promoted to Finance Manager. She assisted the Financial Controller in the preparation of the consolidated accounts for Parkway Group and was responsible for the preparation of the financial accounts and treasury functions of the holding company and subsidiaries. At Osprey Maritime Limited, she held the position of Group Accountant and supported the financial controllers for financial reporting of the Group and was responsible for the financial matters of the subsidiaries.

Ms Ng graduated with professional qualifications from the Association of Chartered Certified Accountants (ACCA). She is a Chartered Accountant of the Institute of Singapore Chartered Accountants and a fellow member of 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 2018

01

JANUARY

- Appointment of Mr Martin Lechner as Independent Director of the Manager
- Secured a S\$400 million syndicated secured financing facilities from OCBC
- Announced 4Q 2017 results on 17 January, DPU up 0.9% y-o-y to 2.15 Singapore cents
- Announced the revaluation of portfolio to S\$1,349.3 million, an increase of S\$76.1 million (6.0%) over First REIT's book value as at 31 December 2017

02

FEBRUARY

- Re-designation of Ms Ng Chwee Ngor Valerie from Financial Controller to Chief Financial Officer of the Manager
- Issued 1,581,810 new units at an issue price of S\$1.3656 per new Unit to eligible Unitholders who have elected to participate in the DRP for 4Q 2017

05

MAY

- Secured a S\$100 million term loan facility from CIMB to refinance its S\$100 million Fixed Rate Notes due on 22 May

07

JULY

- Announced 2Q 2018 results on 17 July, DPU up 0.5% y-o-y to 2.15 Singapore cents

SIGNIFICANT EVENTS IN FY 2018

03

MARCH

- Retirement of HSBC Institutional Trust Services (Singapore) Limited and appointment of Perpetual (Asia) Limited as Trustee of First REIT

04

APRIL

- Announced 1Q 2018 results on 17 April, DPU up 0.5% y-o-y to 2.15 Singapore cents
- Ninth AGM held on 23 April

09

SEPTEMBER

- OUE and OUELH announced the proposed acquisition of 100% shareholding in Bowsprit, and the proposed acquisition by OUELH of 83,593,683 First REIT's units

10

OCTOBER

- Announced 3Q 2018 results on 16 October, DPU up 0.5% y-o-y to 2.15 Singapore cents
- Completion of acquisition of Bowsprit by OUE and OUELH and 83,593,683 First REIT's units by OUELH
- Cessation of Mr Carl Gabriel Florian Stubbe as Chairman and Non-Independent Non-Executive Director
- Cessation of Mr Wong Gang as Independent Director
- Appointment of Mr Christopher James Williams as Chairman and Non-Independent Non-Executive Director
- Appointment of Mr Chan Pengee Adrian as Lead Independent Director
- Appointment of Mr Ferris Charles Bye as Independent Director

OUR NETWORK

SOUTH KOREA

SARANG HOSPITAL

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



1
SOUTH
KOREA

3
SINGAPORE

16
INDONESIA

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.



Pacific Healthcare Nursing Home @ Bukit Merah



Pacific Healthcare Nursing Home II @ Bukit Panjang



The Lentor Residence

OUR NETWORK



Mochtar Riady Comprehensive Cancer Centre

Siloam Hospitals Lippo Village

Siloam Hospitals Manado & Hotel Aryaduta Manado

Siloam Sriwijaya

Siloam Hospitals TB Simatupang

INDONESIA

SILOAM HOSPITALS YOGYAKARTA

A hospital that is part of a 10-storey integrated development in Yogyakarta.

SILOAM HOSPITALS BUTON & LIPPO PLAZA BUTON

A newly-built 3-storey standalone hospital integrated with the only modern mall within Bau Bau City, the main city on Buton Island.

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.

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.

SILOAM SRIWIJAYA

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

SILOAM HOSPITALS PURWAKARTA

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

SILOAM HOSPITALS BALI

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

SILOAM HOSPITALS TB SIMATUPANG

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

SILOAM HOSPITALS MANADO & HOTEL ARYADUTA MANADO

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

SILOAM HOSPITALS MAKASSAR

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

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.

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.

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.

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.

SILOAM HOSPITALS SURABAYA

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

IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

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

PROPERTY OVERVIEW

INDONESIA

SILOAM HOSPITALS YOGYAKARTA

Jalan Laksda Adi Sucipto No. 32 – 34,
Yogyakarta, Indonesia



GROSS
FLOOR AREA

12,474
sq metres

ANNUAL
RENTAL

S\$2.4
mil

APPRAISED
VALUE

S\$27.2
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Neuroscience and Cardiology
Land Area	13,715 sq metres
Purchase Price	S\$27.0 m
Max. No. of Beds	220
Established	2015
Lease Commencement	22 December 2017
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	21 December 2032

SILOAM HOSPITALS BUTON & LIPPO PLAZA BUTON

Jalan Sultan Hasanuddin No. 50, 52, 54, 58,
Bau Bau, Sulawesi Tenggara, Indonesia



GROSS
FLOOR AREA

21,934
sq metres

ANNUAL
RENTAL

S\$2.8
mil

APPRAISED
VALUE

S\$28.8
mil

PROPERTY TYPE	INTEGRATED HOSPITAL & MALL
Centre of Excellence (Hospital Only)	Emergency & Trauma
Land Area	21,874 sq metres
Purchase Price	S\$28.5 m
Max. No. of Beds	160
Established	2016
Lease Commencement	10 October 2017
Lease Terms	15 years with option to renew for 15 years
Lease Expiry Date	9 October 2032

PROPERTY OVERVIEW

INDONESIA

GROSS FLOOR AREA

7,604
sq metres

ANNUAL RENTAL

S\$1.9
mil

APPRAISED VALUE

S\$20.6
mil

PROPERTY TYPE

Centre of Excellence

HOSPITAL

Emergency Medicine,
Internal Medicine and
Neuroscience

Land Area 2,837 sq metres

Purchase Price S\$20.0 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

SILOAM HOSPITALS LABUAN BAJO

*Jl. Gabriel Gampur, Labuan Bajo,
East Nusa Tenggara, Indonesia*



GROSS FLOOR AREA

55,368
sq metres

ANNUAL RENTAL

S\$7.0
mil

APPRAISED VALUE

S\$74.1
mil

PROPERTY TYPE

Centre of Excellence
(Hospital Only)

INTEGRATED HOSPITAL & MALL

Emergency & Trauma,
Obstetrics, Gynaecology
and Paediatrics

Land Area 66,060 sq metres

Purchase Price S\$75.0 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

SILOAM HOSPITALS KUPANG & LIPPO PLAZA KUPANG

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



PROPERTY OVERVIEW

INDONESIA

SILOAM SRIWIJAYA

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



STRATA
FLOOR AREA

15,709
sq metres

ANNUAL
RENTAL

S\$4.0
mil

APPRAISED
VALUE

S\$41.6
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Emergency & Trauma, Gastroenterology
Purchase Price	S\$39.2 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

SILOAM HOSPITALS PURWAKARTA

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



GROSS
FLOOR AREA

8,254
sq metres

ANNUAL
RENTAL

S\$3.5
mil

APPRAISED
VALUE

S\$40.4
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Emergency & Trauma
Land Area	7,990 sq metres
Purchase Price	S\$31.0 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

PROPERTY OVERVIEW

INDONESIA

GROSS
FLOOR AREA

20,958
sq metres

ANNUAL
RENTAL

S\$9.9
mil

APPRAISED
VALUE

S\$123.8
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Cardiology, Emergency & Trauma, Orthopaedics
Land Area	9,025 sq metres
Purchase Price	S\$97.3 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

SILOAM HOSPITALS BALI

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



GROSS
FLOOR AREA

18,605
sq metres

ANNUAL
RENTAL

S\$9.4
mil

APPRAISED
VALUE

S\$119.4
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Cardiology, Emergency & Trauma, Neuroscience, Oncology
Land Area	2,489 sq metres
Purchase Price	S\$93.1 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

SILOAM HOSPITALS TB SIMATUPANG

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



PROPERTY OVERVIEW

INDONESIA

SILOAM HOSPITALS MANADO & HOTEL ARYADUTA MANADO

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



GROSS FLOOR AREA

36,051
sq metres

ANNUAL RENTAL

S\$8.7
mil

APPRAISED VALUE

S\$104.5
mil

PROPERTY TYPE	INTEGRATED HOSPITAL & HOTEL
Centre of Excellence (Hospital Only)	Emergency & Trauma
Land Area	5,518 sq metres
Purchase Price	S\$83.6 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

SILOAM HOSPITALS MAKASSAR

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



GROSS FLOOR AREA

14,307
sq metres

ANNUAL RENTAL

S\$6.0
mil

APPRAISED VALUE

S\$72.9
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Cardiology, Emergency & Trauma, Endocrinology
Land Area	3,963 sq metres
Purchase Price	S\$59.3 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

PROPERTY OVERVIEW

INDONESIA

GROSS
FLOOR AREA

37,933
sq metres

ANNUAL
RENTAL

S\$21.4
mil

APPRAISED
VALUE

S\$267.3
mil

PROPERTY TYPE

Centre of Excellence

HOSPITAL

Emergency & Trauma,
Gastroenterology,
Oncology

Land Area 4,145 sq metres

Purchase Price S\$170.5 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

MOCHTAR RIADY COMPREHENSIVE CANCER CENTRE

*Jalan Garnisun Dalam No. 2-3, Semanggi,
Central Jakarta, Indonesia*



GROSS
FLOOR AREA

13,256
sq metres

ANNUAL
RENTAL

S\$4.3
mil

APPRAISED
VALUE

S\$54.0
mil

PROPERTY TYPE

Centre of Excellence

HOSPITAL

Emergency & Trauma,
Internal Medicine,
Urology

Land Area 9,900 sq metres

Purchase Price S\$35.0 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

SILOAM HOSPITALS LIPPO CIKARANG

*Jalan Mohammad Husni Thamrin Kav.105,
Lippo Cikarang, Bekasi, Indonesia*



PROPERTY OVERVIEW

INDONESIA

SILOAM HOSPITALS LIPPO VILLAGE

*Jalan Siloam No. 6 Lippo Karawaci 1600,
Tangerang, Banten, Indonesia*



GROSS
FLOOR AREA

27,284
sq metres

ANNUAL
RENTAL

S\$14.7
mil

APPRAISED
VALUE

S\$162.3
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Cardiology, Emergency & Trauma, Neuroscience, Orthopaedics
Land Area	17,442 sq metres
Purchase Price	S\$94.3 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

SILOAM HOSPITALS KEBON JERUK

*Jalan Raya Perjuangan Kav. 8, Kebon Jeruk,
West Jakarta, Indonesia*



GROSS
FLOOR AREA

18,316
sq metres

ANNUAL
RENTAL

S\$8.3
mil

APPRAISED
VALUE

S\$96.2
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Cardiology, Emergency & Trauma, Orthopaedics, Urology
Land Area	11,420 sq metres
Purchase Price	S\$50.6 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

PROPERTY OVERVIEW

INDONESIA

GROSS
FLOOR AREA

9,227
sq metres

ANNUAL
RENTAL

S\$3.3
mil

APPRAISED
VALUE

S\$28.1
mil

PROPERTY TYPE	HOSPITAL
Centre of Excellence	Cardiology, Emergency & Trauma
Land Area	4,306 sq metres
Purchase Price	S\$16.8 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

SILOAM HOSPITALS SURABAYA

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



GROSS
FLOOR AREA

17,427
sq metres

ANNUAL
RENTAL

S\$4.0
mil

APPRAISED
VALUE

S\$40.6
mil

PROPERTY TYPE	HOTEL & COUNTRY CLUB
Land Area	54,410 sq metres
Purchase Price	S\$21.2 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

IMPERIAL ARYADUTA HOTEL & COUNTRY CLUB

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



PROPERTY OVERVIEW

SINGAPORE

PACIFIC HEALTHCARE NURSING HOME @ BUKIT MERAH

6 Lengkok Bahru, Singapore



GROSS FLOOR AREA

3,593
sq metres

ANNUAL RENTAL

S\$1.1
mil

APPRAISED VALUE

S\$9.5
mil

PROPERTY TYPE	NURSING HOME
Land Area	1,984 sq metres
Purchase Price	S\$11.8 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

PACIFIC HEALTHCARE NURSING HOME II @ BUKIT PANJANG

21 Senja Road, Singapore



GROSS FLOOR AREA

3,563
sq metres

ANNUAL RENTAL

S\$1.1
mil

APPRAISED VALUE

S\$9.7
mil

PROPERTY TYPE	NURSING HOME
Land Area	2,000 sq metres
Purchase Price	S\$11.5 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

PROPERTY OVERVIEW

SINGAPORE

GROSS FLOOR AREA

4,005
sq metres

ANNUAL RENTAL

S\$1.7
mil

APPRAISED VALUE

S\$15.7
mil

PROPERTY TYPE	NURSING HOME
Land Area	2,486 sq metres
Purchase Price	S\$12.8 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

THE LENTOR RESIDENCE

51 Lentor Avenue, Singapore



SOUTH KOREA

GROSS FLOOR AREA

4,982
sq metres

ANNUAL RENTAL

US\$0.5
mil

APPRAISED VALUE

US\$6.3
mil

PROPERTY TYPE	HOSPITAL
Land Area	2,142 sq metres
Purchase Price	US\$13.0 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

SARANG HOSPITAL

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



Note

The valuations for the Indonesia properties were conducted by Colliers International Consultancy & Valuation (Singapore) Pte Ltd in alliance with KJPP Rinaldi, Alberth, Baroto & Rekan, Cushman & Wakefield VHS Pte Ltd in collaboration with KJPP Firman, Suryantoro, Sugeng, Suzy, Hartomo & 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 South Korea properties were conducted Cushman & Wakefield VHS Pte. Ltd.

The valuations of the respective properties were conducted as at 31 December 2018.

INVESTOR RELATIONS



OPEN, TIMELY AND ACCURATE COMMUNICATIONS

First REIT is guided by the principles of transparency, timeliness and accuracy in its Investor Relations (“IR”) strategy and activities. We are committed to maintaining open and transparent communications with all our Unitholders and the investment community. We ensure that all our latest developments are disclosed to our stakeholders in an accurate and comprehensive manner.

All material information, corporate updates and quarterly financial results are posted in a timely manner on SGXNet as well as on our corporate website www.first-reit.com. Together with other materials like press releases and investor presentations, our corporate website is a key resource for stakeholders looking for regularly updated corporate, operational and financial information.



ENGAGEMENT WITH INVESTORS AND ANALYSTS

First REIT engages actively with both institutional and retail investors through various touchpoints. With the institutional investors, our management team connects with them through one-on-one meetings, conference calls as well as investor conferences and roadshows.

Every year, research and fixed-income analysts are invited to results briefings for the half-year and full-year results where they can discuss the Trust’s performance with the management team. Site visits are also organised periodically for analysts to visit First REIT’s hospitals in Indonesia. As at 31 December 2018, First REIT is covered by CGS-CIMB Research, OCBC Investment Research and Phillip Securities Research.

First REIT renewed their membership with REIT Association of Singapore (“REITAS”) for FY 2019 and will continue to reach out to more investors through events organised by REITAS.

INVESTOR RELATIONS

In FY 2018, First REIT participated in the following results briefings, conferences and non-deal roadshows:

Singapore	
January	4Q 2017 Results Briefing
March	SGX-REITAS Webinar Series
May	SGX-REITAS Education Series Maybank Kim Eng Healthcare Day
July	Maybank Kim Eng Remisier Presentation 2Q 2018 Results Briefing
August	Citibank C-Suite Singapore REITS & Sponsors Corporate Day
September	SGX-DBS Corporate Day
December	3Q 2018 Results Briefing
Overseas	
February	SGX-DBS Corporate Day, Seoul, South Korea
March	SGX-DBS Corporate Day, Tokyo, Japan
August	Fortune Times Roadshow, Beijing, China Citibank C-Suite Singapore REITS & Sponsors Corporate Day, Hong Kong
September	SGX-REITAS-DBSV Corporate Day, Bangkok, Thailand

COMMUNICATIONS TOUCH POINTS

For all IR queries, we have a dedicated IR contact email address – ir@first-reit.com and we make it a point to address all queries channelled to this email in a timely manner.

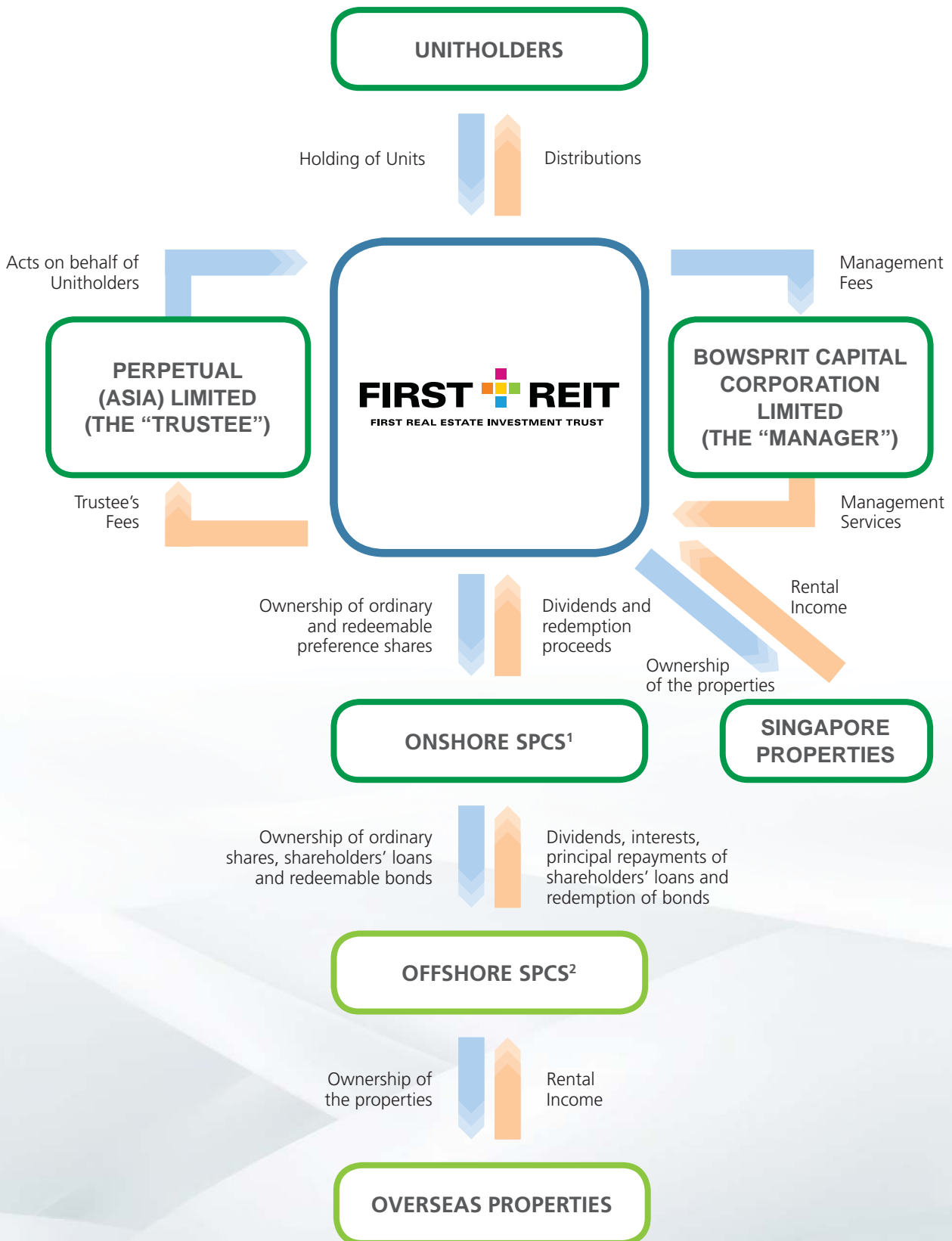
FINANCIAL CALENDAR

	2018	2019 (Tentative)*
First Quarter Financial Results Announcement	17 April 2018	April 2019
Payment of Distribution to Unitholders	25 May 2018	May 2019
Second Quarter Financial Results Announcement	17 July 2018	July 2019
Payment of Distribution to Unitholders	24 August 2018	August 2019
Third Quarter Financial Results Announcement	16 October 2018	October 2019
Payment of Distribution to Unitholders	29 November 2018	November 2019
Full Year Financial Results Announcement	16 January 2019	January 2020
Payment of Distribution to Unitholders	28 February 2019	February 2020
Annual General Meeting	9 April 2019	April 2020

* Note: Dates are indicated and are subject to change.



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

Perpetual (Asia) Limited

8 Marina Boulevard #05-02
Marina Bay Financial Centre Tower 1
Singapore 018981

Website Address

www.first-reit.com

UNIT REGISTRAR AND UNIT TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.

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

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

3rd Floor, Topic Building
212-13, Togye-ro,
Jung-gu, Seoul, South Korea

INDEPENDENT SINGAPORE TAX ADVISER

Ernst & Young LLP

One Raffles Quay, North Tower
Level 18
Singapore 048583

INDEPENDENT INDONESIA 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)**

3rd Floor, Topic Building
212-13, Togye-ro,
Jung-gu, Seoul, South Korea

INVESTOR RELATIONS

August Consulting Pte. Ltd.

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

DIRECTORS OF THE MANAGER

Mr Christopher James Williams

Chairman and Non-Independent Non-Executive Director

Mr Tan Kok Mian Victor

Executive Director and Chief Executive Officer

Mr Chan Pengee Adrian

Lead Independent Director

Mr Tan Chuan Lye

Independent Director

Mr Martin Lechner

Independent Director

Mr Ferris Charles Bye

Independent Director

Mr Ketut Budi Wijaya

Non-Independent Non-Executive Director

AUDIT COMMITTEE

Mr Ferris Charles Bye (Chairman)

Mr Chan Pengee Adrian

Mr Tan Chuan Lye

Mr Martin Lechner

NOMINATING & REMUNERATION COMMITTEE

Mr Chan Pengee Adrian (Chairman)

Mr Ketut Budi Wijaya

Mr Tan Chuan Lye

COMPANY SECRETARY OF THE MANAGER

Mr Victor Lai Kuan Loong

SUSTAINABILITY REPORT

BOARD'S STATEMENT

Dear Stakeholders

We are pleased to present our second sustainability report, which outlines our commitment to create a long-term sustainable future. This sustainability report plays an important role in conveying our sustainable efforts to stakeholders. The success of our sustainability journey requires collaboration and continuous support from our stakeholders.

ESG MATERIALITY

As we traverse into a different phase and reposition ourselves, as a company, we will continue to remain diligent in our business conduct, by adopting best practices in the areas of Environment, Social and Governance (“**ESG**”). We strive to maintain the highest standards of Corporate Governance and zero-tolerance approach towards lapses in non-compliance with applicable laws and regulations. For the financial year ended 31 December 2018 (“**FY 2018**”), there were no reported cases of material non-compliance with any laws or regulations.

The Manager believes in upgrading the skills of our employees, providing them with opportunities to attend training workshops and courses, and corporate exposure through overseas work trips. These experiences will value-add to our employees’ character development and corporate experiences.

OUR SUSTAINABILITY EFFORTS

The Manager is exploring innovative sustainable solutions to ensure business continuity. First REIT’s properties in Indonesia are mostly equipped with LED lighting as part of the energy conservation project. This project aims to reduce energy consumption by 10% as LED lighting has proven to be more energy efficient and durable compared to traditional incandescent bulbs. Sustainable practices are essential in building a reliable and resilient business, especially today, where increased accountability is required of every businesses.

We wish to play a part in shaping the region. The Manager has initiated and participated in various activities to give back to the local community.

THE FUTURE

We would like to thank the employees of the Manager for their hard work and commitment. With a strong management team in place, we are confident that First REIT is well positioned for the future and will continue to deliver value to our Unitholders.

Mr Tan Kok Mian Victor

Executive Director and Chief Executive Officer

Bowsprit Capital Corporation Limited

As Manager of First REIT

SUSTAINABILITY REPORT

ABOUT THIS REPORT

First Real Estate Investment Trust ("**First REIT**"), constituted as a real estate investment trust, is listed on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**"). It is externally managed by Bowsprit Capital Corporation Limited (the "**Manager**").

In line with this annual report, the scope of this report covers the financial year from January to December 2018. Our sustainability report has been prepared in accordance with Global Reporting Initiative ("**GRI**") Core standards. Unless otherwise stated, the report covers the ESG performance of First REIT's properties across its core portfolio of properties in Indonesia, Singapore and South Korea. This report forms part of First REIT's Annual Report 2018 and can be viewed or downloaded from <http://firstreit.listedcompany.com/ar.html>. As part of our continued efforts to improve our reporting, we welcome stakeholders to submit their feedback to ir@first-reit.com.

HIGHLIGHTS OF 2018

SUSTAINABILITY ACHIEVEMENTS MANAGER LEVEL



33.5 Man-days
of training hours clocked by
employees of the Manager



41% of the employees
have been with the Manager
for more than 6 Years



2 community service activities
conducted with more than 30%
of employees involved

SUSTAINABILITY ACHIEVEMENTS PORTFOLIO LEVEL



Siloam Hospitals Makassar
1st hospital within Siloam Hospitals Group to
install solar panel water heater and pressure tank



Siloam Sriwijaya
Introduced the use of Compressed Natural Gas
("**CNG**") in replacement of Liquefied Petroleum
Gas ("**LPG**") for the gas heat pump system



Imperial Aryaduta Hotel & Country Club
220 kg of plastic bottles recycled on a
monthly basis

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Stakeholders	Engagement Channel	Key Feedback/ Issues	Commitments to Sustainability
Employees	Annually <ul style="list-style-type: none"> • Employment feedback sessions • Dialogue sessions with senior management • Performance appraisals Quarterly <ul style="list-style-type: none"> • Team bonding sessions Ad-hoc basis <ul style="list-style-type: none"> • Employee training 	<ul style="list-style-type: none"> • Remuneration and benefits • Fair and competitive employment practices • Work-life balance • Employee safety, welfare, training and development opportunities 	<ul style="list-style-type: none"> • Create a conducive work environment for all employees • Promote cohesive work culture
Investors, Unitholders, Analysts and Media	Annually <ul style="list-style-type: none"> • Annual general meeting (AGM) • Sustainability reports Quarterly <ul style="list-style-type: none"> • Financial results announcement Ad-hoc/Perpetual <ul style="list-style-type: none"> • Company website • SGX announcement and media release • Events and meetings (Road Shows) • Extraordinary general meeting ("EGM") 	<ul style="list-style-type: none"> • Business strategy and outlook (return on investments, growth rate, risk management) • Corporate governance and regulatory compliance • Performance and reporting standards 	<ul style="list-style-type: none"> • Timely and transparent disclosure of accurate and relevant information to stakeholders • Sustainable long-term return of investment
Operators	Annually <ul style="list-style-type: none"> • Key operators meeting Quarterly <ul style="list-style-type: none"> • Asset management reports Perpetual <ul style="list-style-type: none"> • Property management hotline 	<ul style="list-style-type: none"> • Reliable and efficient infrastructure • Prompt response to feedback 	<ul style="list-style-type: none"> • Maximise resource efficiency of properties • Ensure tenant's safety and security
Trustee	Quarterly <ul style="list-style-type: none"> • Meetings and reports 	<ul style="list-style-type: none"> • Corporate governance • Operational efficiency 	<ul style="list-style-type: none"> • Zero-tolerance for corruption
Third-Party Service Providers	Annually <ul style="list-style-type: none"> • Property audits Project-basis <ul style="list-style-type: none"> • Service provider evaluation 	<ul style="list-style-type: none"> • Environmental compliance • Occupational health and work safety practices 	<ul style="list-style-type: none"> • Compliance to terms in contracts
Government	Annually <ul style="list-style-type: none"> • Tax filing report • Sustainability report • Regulatory report Ad-hoc/Perpetual <ul style="list-style-type: none"> • Associations and bodies (E.g. REITAS, SIAS) 	<ul style="list-style-type: none"> • Advocate greener operator behaviour • Laws and regulations related to trade associations • Eco-friendly green infrastructures 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Fair and ethical business practices
The Community	Annually <ul style="list-style-type: none"> • Sustainability report Ad-hoc <ul style="list-style-type: none"> • Corporate social responsibility ("CSR") activities 	<ul style="list-style-type: none"> • Sustainable business practices • Eco-awareness amongst the community 	<ul style="list-style-type: none"> • Management of impacts on the community • Advocate eco-friendly practices • Support local initiatives

SUSTAINABILITY REPORT

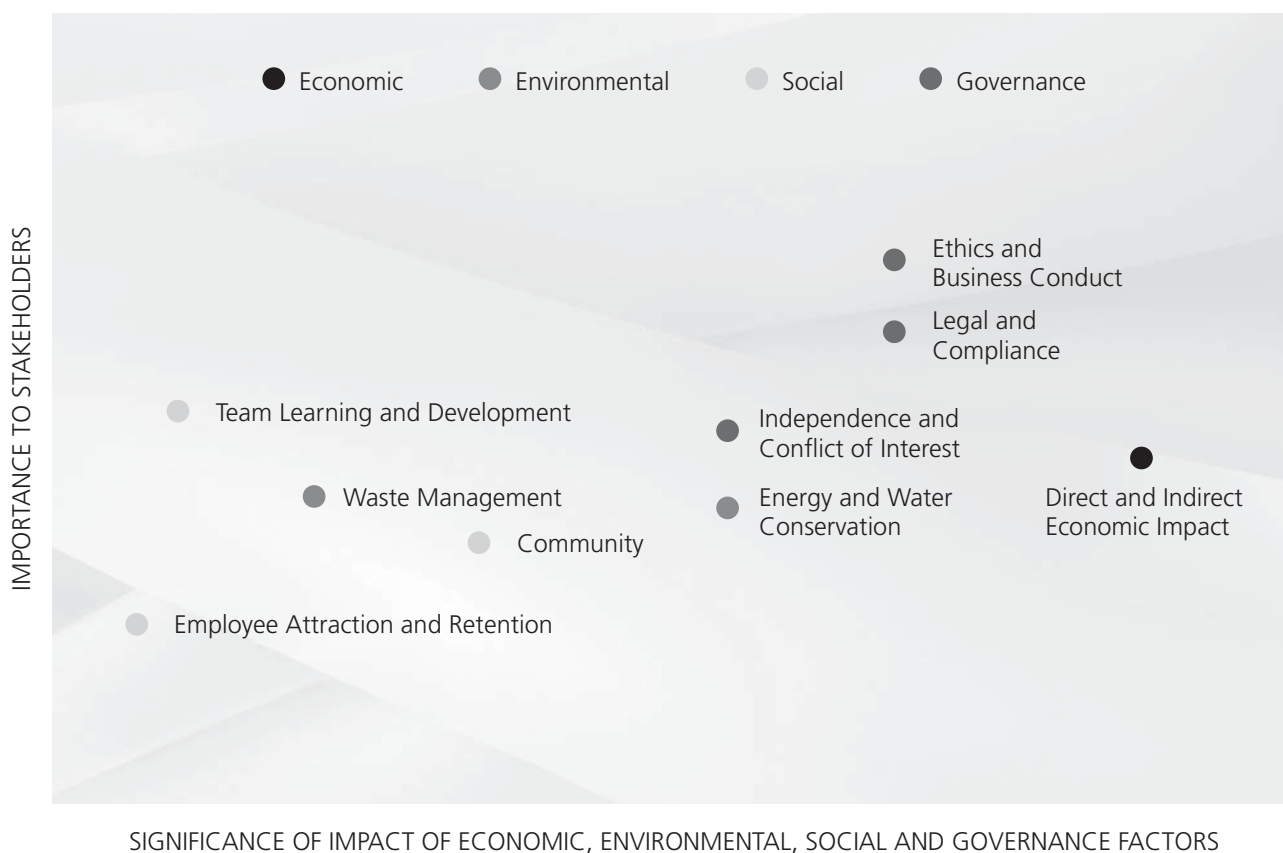
MATERIALITY ASSESSMENT

Through various engagement sessions involving the management and executives, the Manager has considered and assessed the topics that First REIT and its stakeholders are concerned about, as well as those that can potentially impact the long-term sustainability of our business. Our approach to materiality assessment aims to follow the reporting principles of:

1. Stakeholder Inclusiveness
2. Sustainability Context
3. Materiality




First REIT's material topics are derived from a materiality matrix. In accordance to the reporting principles, we take into account the material topic's influence on stakeholders' decisions as well as the significance of the topic's impact to Economic, Environmental, Social and Governance factors. These material topics are ranked in the materiality matrix and are discussed further in the subsequent pages of the report.

MATERIALITY MATRIX





SUSTAINABILITY REPORT





MATERIALITY TABLE

Material Topics	Relevance to First REIT	How are we addressing the issue
Economic Dimensions		
Direct and Indirect Economic Impact 	<p>We provide income for our employees, revenue for suppliers and contractors, as well as support public well-being and infrastructure through tax payments and fees.</p> <p>Further, through our provision of space for our tenants to operate, our tenants support the local economy through provision of jobs and healthcare services.</p>	<p>We focus on entering into yield-accretive property investments so that investors can receive stable and attractive dividends. In the lease agreements with Indonesian tenants, rentals are based in Singapore Dollars or Singapore Dollar equivalent. As such, foreign currency fluctuations will not adversely affect the distributions attributed from the Indonesia Portfolio.</p> <p>We continue to source for potential acquisitions within and beyond Indonesia.</p>
Asset Quality and Integrity 	<p>We strive to achieve the highest standards of quality and safety in our buildings. We believe that it is through the management of such fundamental requirements that we can build stronger bonds with our stakeholders.</p> <p>In a competitive landscape, we seek to understand our stakeholders and go the extra mile to deliver value to them.</p>	<p>Our long-term sustainable goal is to ensure the safety and comfort of our tenants and their end-customers. Annually, we engage external property auditors to carry out property audits to ensure that the quality standards of our properties will not be compromised. To this end, we spent approximately S\$200,000 in FY 2018 on professional fees.</p> <p>We value the feedback from our stakeholders to offer better service standards for our tenants. Our value-adding asset enhancement projects ensure that our properties remain competitive and are satisfactory to our stakeholders.</p>
Environmental Dimensions		
Waste Management 	<p>As a healthcare REIT providing business opportunities for healthcare or healthcare-related service providers, it is our duty to ensure our tenants assume their responsibility on proper disposal of biohazardous waste.</p> <p>Improper biohazardous waste disposal can have dire consequences to the environment and local biodiversity. In addition, there could be legal liabilities following adverse consequence that will indirectly impact First REIT's reputation as a healthcare REIT.</p>	<p>Other than ensuring that our buildings have proper waste management programmes in place, the Manager and our tenants have initiated several recycling and waste reduction programmes during the reporting period.</p> <p>PT Siloam International Hospitals Tbk</p> <ul style="list-style-type: none"> Reusing of jerry cans to collect medical disposals such as used syringes, needles and other sharp materials (Siloam Hospitals Manado) Siloam branded hospitals operate under a paperless system where the prescription letter is sent directly to the pharmacy after the patient's consultation. Radiology departments have also introduced filmless radiology consultations. <p>Imperial Aryaduta Hotel & Country Club</p> <ul style="list-style-type: none"> Monitoring and reduction of food wastage at food and beverages outlets. Recycling of plastic bottles. <p>Bowsprit Capital Corporation Limited</p> <ul style="list-style-type: none"> Electronic copy of annual report for FY 2018.

SUSTAINABILITY REPORT

Material Topics	Relevance to First REIT	How are we addressing the issue
Environmental Dimensions		
<p>Energy and Water Conservation</p> 	<p>We recognise that investing in or placing emphasis on energy and water conservation measures not only reduces our carbon footprint but also makes business sense in terms of cost savings. Therefore, we are committed to taking active steps to reduce our overall energy consumption and improve energy and water efficiency to minimise the environmental impact at every level operation.</p>	<p>As Manager of First REIT, we are committed to improving energy efficiency in our daily office operations.</p> <p>All lights are turned off after all staff leave the office. A new initiative to switch off all lights in the office during lunch time will be implemented in 2019, a step towards improving the overall energy consumption.</p> <p>Our concerns with respect to energy and water consumption are aligned with PT Siloam International Hospitals Tbk ("Siloam"), the operator of our healthcare assets located in Indonesia.</p> <p>Siloam completed a pilot project at Siloam Hospitals Makassar ("SHMK"), and installed a solar-powered water heater system in November 2018. This initiative aims to reduce up to 20% of SHMK's annual electricity usage.</p> <p>Other initiatives launched at our properties include:</p> <ul style="list-style-type: none"> • Siloam Hospitals Lippo Village ("SHLV") completed the replacement of refrigerant of water-cooled package units which are more eco-friendly and energy efficient; and • Siloam Sriwijaya ("SS") introduced the use of CNG in replacement of LPG for the gas heat pump system which is more energy efficient.
Social Dimensions		
<p>Employee Attraction & Retention</p> 	<p>The success of our business is attributed to our ability to attract and retain talented and passionate people.</p> <p>As such, we have competitive remunerations and equitable growth opportunities for all our employees. Beyond that, we provide prospects for character development and mentorship by our senior management.</p> <p>We aim to create a conducive environment to nurture our employees to their fullest potential. This will also provide security to investors knowing that employees of the Manager possess excellent capabilities to excel in their respective roles.</p>	<p>We have competitive employee remuneration packages through market benchmarking. On top of that, we focus on providing a learning experience and mentorship in the industry. We highly encourage our employees to upgrade themselves through internal and external training. In 2018, our employees clocked 33.5 average man-days of training, a target achieved compared to the targeted 20 average man-days in 2017.</p> <p>Employees are presented with opportunities to travel abroad to interact with their counterparts and learn from senior management during work trips.</p> <p>We have, through the course of FY 2018, enhanced staff benefits through implementing a weekly "Fruits Day", as well as organised team bonding sessions to build cohesiveness, boost team morale and motivate employees.</p>

SUSTAINABILITY REPORT

Material Topics	Relevance to First REIT	How are we addressing the issue
Social Dimensions		
Community 	<p>As a socially conscious business, we recognise the need to build long-term relationships with the stakeholders, and to actively engage our community. As we grow our business, a clear focus to guide our community-engagement initiatives will allow the community to thrive alongside us.</p> <p>Besides focusing on the financial aspects of our operations, our stakeholders understand the importance of giving back to the community.</p>	<p>We fostered staff volunteerism by carrying out community involvement projects at our Singapore properties as we believe in creating positivity from within.</p> <p>In FY 2018, the Manager contributed through the following activities:</p> <ul style="list-style-type: none"> • Chinese New Year: Organised fun-filled activities for residents of The Lentor Residence; and • Mid-Autumn Festival: Organised a tea-time celebration for residents in Pacific Healthcare Nursing Home @ Bukit Merah <p>Our corporate objective is to engage stakeholders beyond our office and spread joy during festive seasons. We commit ourselves through community involvement projects to bond with our stakeholders.</p>
Governance Dimensions		
Ethics and Business Conduct 	<p>We are committed to conducting our business activities with integrity and respect for the society at large. This will build up our reputation as the employer of choice, a business partner and as a quality healthcare REIT.</p>	<p>We have zero tolerance for breaches of our Code of Business Conduct. We educate our employees through constant interactions, a strong culture of compliance and the staff handbook.</p> <p>We also instituted the following policies to safeguard stakeholders' interests:</p> <ul style="list-style-type: none"> • Personal Data Protection Policy; and • Whistle-blowing Policy <p>There have been no breaches and zero cases of corruption and fraud during the reporting period.</p>
Independence and Conflicts of Interest 	<p>Given the pipeline of potential investments in the Asia-Pacific region, we are committed to protect the interest of unitholders and maintain the trust that they have in us.</p>	<p>We perform due diligence on all investments to ensure that the intended investment is yield accretive and fundamentally sound. We align our performance fee with the interest of First REIT's unitholders.</p> <p>Employees are required to make periodic declarations to confirm that they are not subjected to conflict of interest situations.</p>
Regulatory Compliance 	<p>First REIT, listed on Mainboard of SGX-ST, is subjected to compliance requirements of the listing manual of SGX-ST, the code of collective investment schemes issue by Monetary Authority of Singapore ("MAS") and other relevant legislations.</p> <p>Further, with properties in multiple countries, First REIT is also subjected to regulatory compliance of the respective host countries.</p>	<p>The Board comprises business leaders and professionals with fund management, legal and finance backgrounds. The Board is briefed on changes to the relevant regulations during Board Meetings or at specially convened sessions involving relevant professionals.</p>

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE

The Manager adopts the Code of Corporate Governance 2012 issued by MAS as its benchmark for corporate governance policies and practices.

The Manager upholds the standards of ethical business conduct, establishing, reviewing, and communicating policies and procedures to new and existing employees. These policies and procedures are documented in the “Code of Conduct”, and are summarised in the table below.

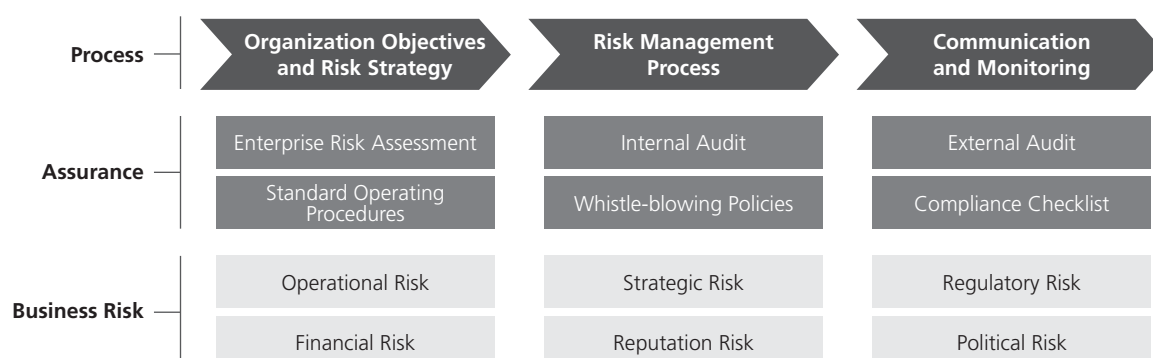
Code of Conduct	Conflict of Interest	Whistle-blowing Policy
Outlines the specific conduct requirement for the following: <ul style="list-style-type: none"> Professionalism (Job Duties, Appearance and Attendance) Confidentially Workplace Conduct Compliance of Law 	Provides expectations for employees’ use of corporate opportunities and disclosure of confidential information for personal gains.	Provides a secure channel for employees and external parties to report misconducts of the Manager. Whistle-blower’s identity will be kept confidential.
Personal Trading Policy	Gifts and Entertainment	Misconduct and Disciplinary Actions
Provides guidelines for employees holding shares of the REIT which also includes unit-holding declarations and pre-trade clearances.	Provides guidelines on acceptance and acknowledgement of gifts received by employees from business partners.	Provides guidelines and procedures for managing misconduct to ensure disciplinary processes are fair, objective and equitable.

Regulatory Compliance

As a listed REIT, the Manager adopts a zero-tolerance approach to regulatory breaches. Non-compliance to prevailing laws and regulations, such as the SGX-ST listing requirements, the Code on Collective Investment Schemes issued by the MAS and tax rulings issued by the Inland Revenue Authority of Singapore, leading up to penalties, fines and revocation of the capital market services licences will not be tolerated. Our Board comprises business leaders and professionals with fund management, legal and finance backgrounds who are well-equipped to handle issues pertaining to regulatory compliance. The Manager strives to uphold a good compliance track record. Inclusive of FY 2018, there has been zero reported instances of regulatory breaches.

Enterprise Risk Management

The Manager practises Enterprise Risk Management (ERM) framework to identify and address top-tier risks and events that First REIT is exposed to. The Manager collaborates with First REIT’s internal auditors to assess the Manager’s current market position against the reit industry’s outlook. Key risks and opportunities are primarily identified using the framework. Aligning against our business targets, we integrate risks controls into our business operations or as an integral part of financial planning.



SUSTAINABILITY REPORT

Process-related controls also include business-driven governance, security, integrated ERM in business processes and active third-party management. The overall risk management methodology focuses on managing the key risks that would prevent the Manager from meeting sustainable objectives.

Personal Data Protection Policy

With the increasing emphasis on data privacy, personal data in Singapore is protected under the Personal Data Protection Act 2012 (“**PDPA**”). The Manager has data protection measures to safeguard our stakeholders’ interest. PDPA recognises and balances both the rights of individuals to protect their personal data, including rights of access and corruption, and the needs of organisation to collect, use or disclose personal data for legitimate and reasonable purposes.

Stakeholders’ data security is reviewed regularly by the Data Protection Officer appointed by the Manager. As at FY 2018, there are no validated data security breaches.

Moving Ahead

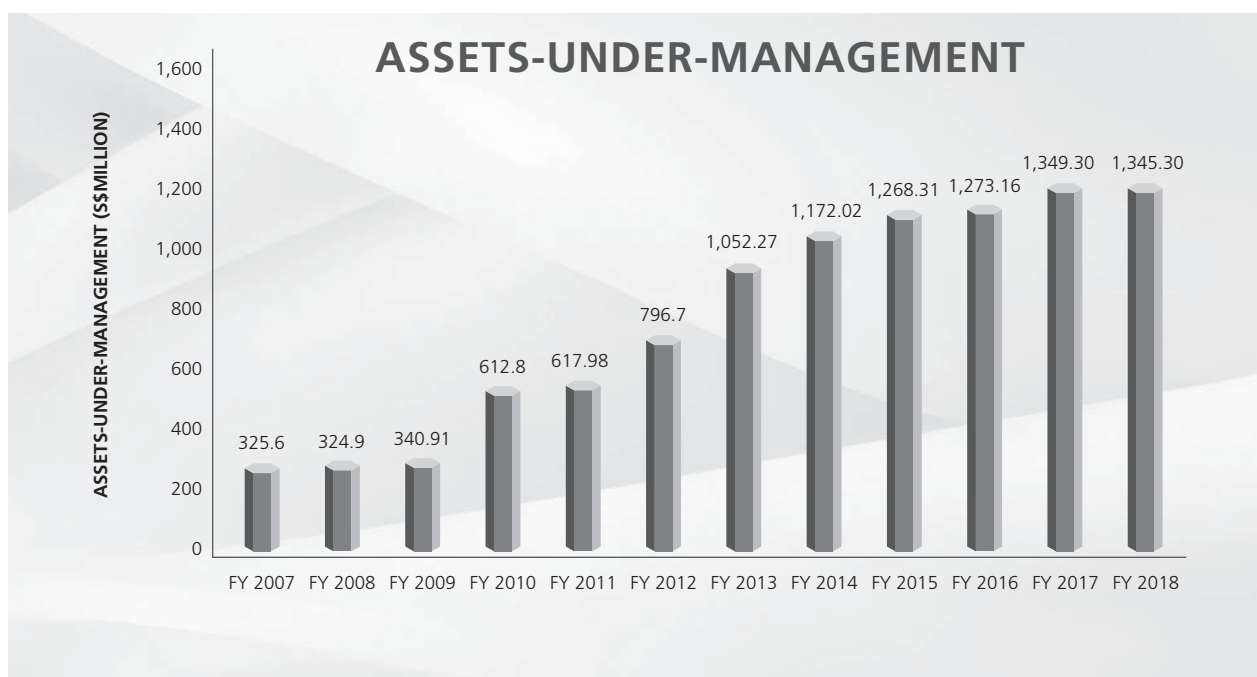
The Manager acknowledges the importance of constantly improving First REIT’s risk management framework and internal processes to ensure that risks are properly addressed throughout the organisation. The Manager strives to maintain the highest level of corporate governance through aligning corporate governance framework within the Group.



- Align Corporate Governance Framework and Policies within the group.
- Strive towards zero instances of regulatory breaches in FY 2019

FUTURE ECONOMIC OUTLOOK

The Manager places strong emphasis on sustainable goals. We have a distinct investment mandate of acquiring yield-accretive properties in the healthcare and healthcare-related industry. As at FY 2018, our Asset-Under-Management (“**AUM**”) amounts to S\$1.35 billion, supported by a gross revenue of S\$116.20 million and net property income of S\$114.39 million, as at 31 December 2018. The compounded annual growth rate (“**CAGR**”) of AUM is 15.3% over the years.



SUSTAINABILITY REPORT

Corporate Road Map

Looking ahead, First REIT will focus on several aspects to ensure a sustainable business. The Manager will be looking towards expansion, regional diversification, and asset rebalancing as strategies towards achieving a long-term sustainable business.

For more information on First REIT's financial performance, please refer to pages 4 to 5 of the Annual Report.

	<p>Expansion & Regional Diversification</p> <ul style="list-style-type: none"> • Business growth with more diversified income stream • Reduce geographical risk and market dependency <ul style="list-style-type: none"> ✓ Plan to rebalance portfolio to diversify across countries 		<p>Asset Rebalancing</p> <ul style="list-style-type: none"> • Unlock development potential <ul style="list-style-type: none"> ✓ Achieve capital gains through divestments • Asset Enhancement <ul style="list-style-type: none"> ✓ Improve existing potential of assets to optimize overall portfolio value
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ENVIRONMENTAL OUTLOOK

Infrastructural Implementation

First REIT's Indonesia portfolio is progressively installing Light Emitting Diodes ("LED") bulbs to replace conventional bulbs in all the key assets for energy saving purposes. LED bulbs have a longer lifespan and consume up to 90% less power than incandescent bulbs. This exercise has an estimated cost-savings of 10% in electricity bills. Furthermore, LED lightings help to reduce the amount of mercury waste and carbon dioxide emission.

Hotel Room Key Management

Aryaduta Hotel Group, which operates two of First REIT's properties, implemented facilities upgrades to improve their energy efficiency. The rooms are powered up by insertion of hotel room key cards, other than the bathrooms. This initiative aims to reduce electrical wastage when hotel guests are not present in their rooms.

Escalators Upgrade

Siloam Hospitals Group is gradually upgrading their escalators with energy saving mechanisms such as motion sensors. During inactive periods, the escalator runs at a very slow speed, just sufficient to overcome the inertia of starting up. Upon detecting incoming passenger by the motion sensor on the escalator platform, the escalator speed increases and runs at full speed until 30 seconds after the last passenger leaves. The upgrade reduces the noise level and energy consumption significantly.

SUSTAINABILITY REPORT

Solar Panels and Solar-Powered Water Heater

As a pilot test, Siloam Hospitals Group has installed a solar-powered water heater to replace the existing conventional electric water heater at SHMK. The equipment was installed in November 2018 and will be monitored by the operator. This implementation has an estimated cost savings of up to 20% on electricity in the long run and if proven effective, Siloam Hospitals Group intends to implement this energy and cost saving measure across other hospital entities such as Siloam Hospitals Manado and Siloam Hospitals Bali.



Aerial view of SHMK



Installed Solar Panels on SHMK rooftop

Solar Panel Installations

Solar Panels are strategically installed on the rooftop of SHMK. The panels are coated with two layers of 2.5mm Vitreous Enamel to withstand weathering. The panels absorb sunlight and converts solar energy to electrical energy to power the water heater.

SUSTAINABILITY REPORT

Solar-Powered Water Heater

The solar-powered heater tank is located within close proximity to the solar panels to reduce energy loss during transmission. The solar-powered heater tank is powered by 20 solar panels and has the capacity to serve SHMK's daily operations and is regularly maintained by Siloam Hospitals Group.



Solar-powered heater tank on SHMK rooftop

Refrigerant Retrofit at Water Cooled Packaged Units

Refrigerants are amongst the top pollutants of the environment, some of which are categorized as high pollutants with Ozone Depleting Potential ("ODP") and high Global Warming Potential ("GWP").

Siloam Hospitals Group initiated the replacement of refrigerant of water-cooled package units at SHLV, from conventional CFC to eco-friendlier refrigerants for their Water-Cooled Packaged Units, or air-conditioners. Hydrofluorocarbons ("HFC") is the third generation of fluorine-based gas used for refrigerant which has zero ODP and medium GWP rating. Besides the greener approach towards the replacement of refrigerants, Siloam Hospitals Group also benefitted from lower electricity bills as the refrigerants function more efficiently.

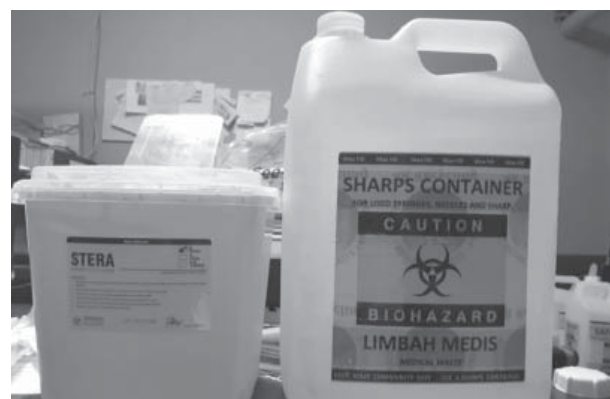
Central Chiller - Heat Pump System

Siloam Sriwijaya introduced the use of CNG in replacement of LPG for the heat pump system. CNG releases lesser greenhouse gas and is lighter than air, hence disperses quickly in the event of spillage. This initiative has an estimated electrical cost-savings of 20% and will be pushing forth in other Siloam Hospitals entities.

Waste Management

Recycled Sharps Container

Currently, Siloam Hospitals Manado started recycling used jerry cans, as one-time-use disposal sharps containers, to dispose of biohazardous waste such as used syringes, needles, and sharp materials. This initiative aims to reuse plastic waste and in so doing, reduce plastic waste. The disposal process of biohazardous waste adheres to strict regulatory procedures and recycled containers are well labelled with Globally Harmonized Symbols to indicate hazardous waste disposal. This waste management initiative will be monitored closely by Siloam Hospitals Group.



Recycled sharp containers to contain medical waste

Digitalised Consultation

Siloam Hospitals Group has moved to paperless systems where prescription letters are sent directly to the pharmacy after a patient's consultation. Patients will no longer be concerned with losing the physical letter which could lead to difficulties in the collection of their medication. Similarly, the radiology departments have introduced filmless radiology consultation. These initiatives aim to reduce paper and radiology-related waste, while at the same time optimize the hospital operations to ensure a smoother experience for patients.

SUSTAINABILITY REPORT

Reduce, Reuse and Recycling Initiatives

Singapore

For FY 2018, the Manager took a greener approach towards environmental causes by implementing electronic copies of the Annual Report for our unitholders. For unitholders who wish to receive physical copies of the Annual Report, a request form is required to be submitted to the Manager. This initiative targets to save 9,000 kg of paper.

Indonesia

Aryaduta Hotel Group in Indonesia has an Energy Conservation Committee (“**Committee**”) which focuses on energy conservation initiatives. The Committee conducts monthly meetings chaired by the Chief Engineer to identify potential infrastructure improvements for Energy Conservation.

The Committee is formed by representatives from every department to identify potential infrastructure improvements for energy conservation. Individuals from each department brainstorm for ideas and discuss the feasibility of implementation through monthly meetings chaired by the Chief Engineer. With the goal of becoming more energy efficient, the Committee has pushed forth several eco-friendly initiatives across different entities.

At Imperial Aryaduta Hotel & Country Club, we are committed to reducing our carbon footprint through monitoring our waste output regularly. Internally, the hotel operator segregates organic and inorganic waste in the disposal system and is exploring methods of utilising organic waste as compost for landscape purposes. The operator team analyses a spoilage summary report for breakfast and buffet items on a monthly basis to ensure that the unnecessary wastage of food products is managed.



Restaurant at Imperial Aryaduta Hotel & Country Club

SUSTAINABILITY REPORT

Through the various implemented practices geared towards business sustainability, our achievements are documented as follows:



-  220 kg of Plastic Bottle Recycled Monthly
-  Washing Detergent For Kitchen Tool Certified Environmentally Friendly
-  Minimised Monthly Food Wastage to 50 kg
-  Segregation of Organic and Non-organic Waste for Disposal

Moving Forward

In FY 2018, there were no major changes in vendor appointments, therefore we will incorporate the sustainability criteria into vendor assessment in the upcoming FY 2019. For Indonesia properties, Siloam Hospitals Group will monitor the effects of energy saving after the installation of the solar-powered water heater and continuous recycling efforts in reducing waste disposal on the environment.



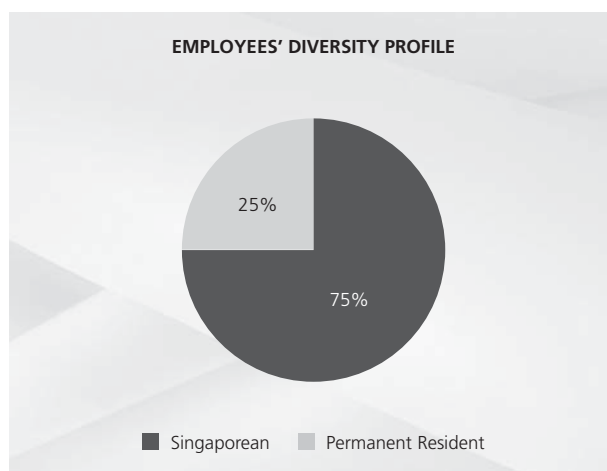
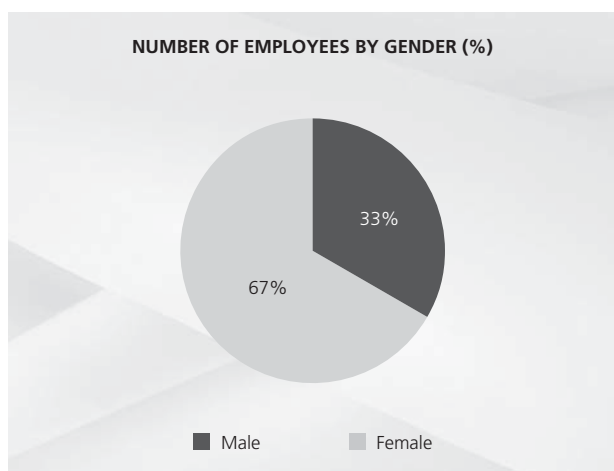
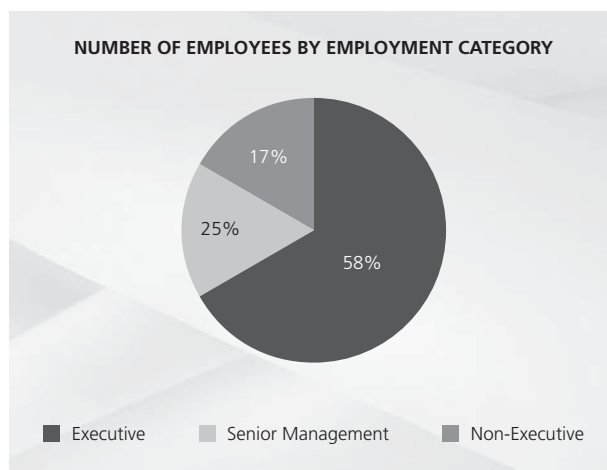
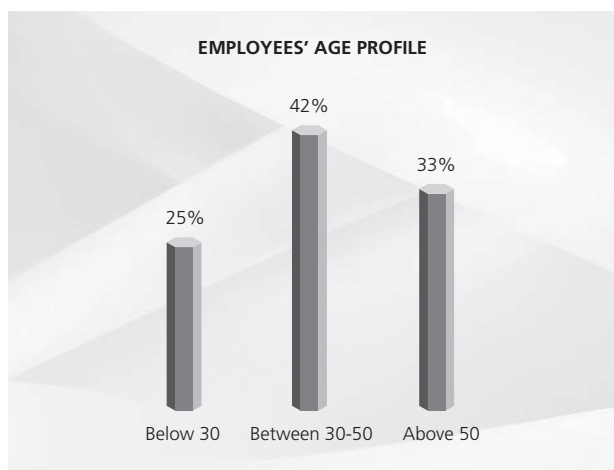
- Incorporate sustainability criteria into vendor assessment FY 2019
- Monitoring energy saving by Solar-Powered Water Heater and continue recycling efforts by Siloam Hospitals

SUSTAINABILITY REPORT

SOCIAL OUTLOOK

Employee Demographics

In FY 2018, the Manager welcomed one additional employee to the team, and achieved zero employee turnover. Employee demographics are illustrated in the charts below, based on Age Profile, Employment Category, Gender, and Diversity.



Talent Attraction and Retention

The Manager is made up of an agile team with the flexibility to adapt to different situations. We have a diverse team composition consisting of all age groups supported by an open communication platform and culture. The average tenure of an employee is approximately 6.4 years and 41% of the employees have been with the Manager for more than six years.

Our success in retaining talent is attributed to our belief in developing and nurturing employees. Employees are offered sufficient opportunities to participate in learning and developing programmes to continuously upgrade their skills. The Asset Management department makes regular visits to Siloam Hospitals Group for periodic review of their operations. Besides work-related agenda, employees were given opportunities to interact with their local counterparts through sharing sessions.

SUSTAINABILITY REPORT



Employees receive a fruit every Friday as part of the Manager's effort to advocate healthy diet. Photo taken in November 2018

In the face of a competitive landscape, investing in education is necessary to build a strong and talented workforce that is capable of delivering value to the stakeholders. For FY 2018, the Manager arranged and facilitated a total of 335.75 hours of training for its employees with each employee clocking an average of 33.5 hours of training. The Management also provide on-the-job exposure and mentoring during work trips. We have an annual appraisal to communicate strengths, gaps in employees' performance and identify training needs.

The Manager has adopted "Fruits Day" initiative every Friday to advocate a healthy diet for all employees. We also recognise the importance of creating a proactive work environment for everyone and organise team bonding sessions to build staff rapport and facilitate team bonding.

The Manager wants to create an environment of inclusiveness and spirit of authenticity within the company. Highly-engaged employees are more likely to perform at a consistently high level and deliver greater value to our stakeholders. The Manager is committed to engaging with our employees through team bonding sessions. Recognising the importance of attracting and retaining talents, the Manager will constantly review and provide fair employment benefits to the employees.



Company bonding event held in March 2018

SUSTAINABILITY REPORT

The Community

The Manager aspires to make the community a better place. We believe in creating a greater sense of belonging for all of our stakeholders. We initiated staff volunteerism at our very own nursing homes as we believe in creating the positivity from within our immediate spheres of influence. Annually, the Manager organises Community Involvement Projects (“CIP”) during festive seasons to engage our stakeholders and establish our involvement at a deeper socially responsible level.

In FY 2018, the Manager contributed positively through the following activities:

- Chinese New Year celebration: visiting and celebrations with the residents of The Lentor Residence
- Mid-Autumn Festival celebration: decorate the premises and celebrate with the residents of Pacific Healthcare Nursing Home @ Bukit Merah

Chinese New Year CIP

Employees of the Manager took initiative to organise visiting at The Lentor Residence and celebrated the festive season with the elderly.



The Lentor Residence CNY volunteer event 2018

Mid-Autumn Festival

Employees organised a tea-time celebration for elderly at Pacific Healthcare Nursing Home @ Bukit Merah. The employees decorated the premises and shared mooncake and tea with the elderly.



Mid-Autumn festival celebration 2018 at Pacific Healthcare Nursing Home @ Bukit Merah

Moving Ahead

Looking into FY 2019, we pledge to maintain our average of 20-man-days of training hours per employee and continue our community involvement projects with our stakeholders.



- Maintain 20-man days training hours for our employees
- Organise at least 2 Community Involvement Projects with at least 30% employee participation for FY 2019

SUSTAINABILITY REPORT

GRI Standard	Disclosure Title	Page Reference & Remarks
GENERAL DISCLOSURE		
ORGANIZATIONAL PROFILE		
Disclosure 102-1	Name of the Organization	Annual Report – Corporate Profile
Disclosure 102-2	Activities, brands, products, and services	Annual Report – Corporate Profile
Disclosure 102-3	Location of headquarters	Annual Report – Corporate Profile
Disclosure 102-4	Location of operations	Annual Report – Portfolio Overview
Disclosure 102-5	Ownership and legal form	Annual Report – Corporate Profile
Disclosure 102-6	Markets served	Annual Report – About First REIT, Portfolio Overview
Disclosure 102-7	Scale of the Organization	Sustainability Report – Our Employees Demographics
Disclosure 102-8	Information on employees and other workers	Sustainability Report – Our Employees Demographics
Disclosure 102-9	Supply chain	Annual Report – Corporate Profile
Disclosure 102-10	Significant changes to the organization and its supply chain	Annual Report – Milestones, Significant events in 2018, Investor Newsroom
Disclosure 102-11	Precautionary principle or approach	Annual Report – Risk Management Sustainability Report – Enterprise Risk Management
Disclosure 102-12	External initiatives	Annual Report – Governance
Disclosure 102-13	Membership of associations	Sustainability Report – Stakeholders' Engagement
STRATEGY		
Disclosure 102-14	Statement from senior decision maker	Sustainability Report – Board's Statement
Disclosure 102-15	Key impacts, risks, and opportunities	Sustainability Report – Board's statement and Enterprise Risk Assessment framework
ETHICS AND INTEGRITY		
Disclosure 102-16	Values, principles, standards, and norms of behavior	Annual Report – Corporate Governance report Sustainability Report – Corporate Governance
Disclosure 102-17	Mechanisms for advice and concerns about ethics	Annual Report – Corporate Governance report – Whistle Blowing Policy Sustainability Report – Code of Conduct
GOVERNANCE		
Disclosure 102-18	Governance structure	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-19	Delegating authority	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-21	Consulting stakeholders on economic, environmental and social topics	Sustainability Report – Stakeholder Engagement
Disclosure 102-22	Composition of the highest governance body and its committee	Annual Report – Corporate Governance report
Disclosure 102-23	Chair of the highest governance body	Annual Report – Corporate Governance report
Disclosure 102-24	Nominating and selecting the highest governance body	Annual Report – Corporate Governance report
Disclosure 102-25	Conflicts of interest	Annual Report – Corporate Governance report Sustainability Report – Governance (Code of Conduct)
Disclosure 102-26	Role of highest governance body in setting purposes, values, and strategy	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-27	Collective knowledge of highest governance body	Sustainability Report – Managing Sustainability at First REIT

SUSTAINABILITY REPORT

GRI Standard	Disclosure Title	Page Reference & Remarks
GENERAL DISCLOSURE		
GOVERNANCE		
Disclosure 102-28	Evaluating the highest governance body's performance	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-30	Effectiveness of risk management process	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-31	Review of economic, environmental, and social topics	Sustainability Report – Economic, environment and Social
Disclosure 102-32	Highest governance body's role in Sustainability Report	Sustainability Report – Managing Sustainability at First REIT
Disclosure 102-33	Communicating critical concerns	Sustainability Report – Stakeholder Engagement
Disclosure 102-34	Nature and total number of critical concerns	Sustainability Report – Materiality Assessment
Disclosure 102-35	Remuneration policies	Sustainability Report – Social, Talent Management
Disclosure 102-36	Process for determining remuneration	Sustainability Report – Social, Talent Management
Disclosure 102-37	Stakeholders' involvement in remuneration	Sustainability Report – Social, Talent Management
Disclosure 102-38	Annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.
Disclosure 102-39	Percentage increase in annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.
STAKEHOLDER ENGAGEMENT		
Disclosure 102-40	List of stakeholder groups	Sustainability Report – Stakeholder Engagement,
Disclosure 102-41	Collective bargaining agreements	None of our employees have joined trade union.
Disclosure 102-42	Identifying and selecting stakeholders	Sustainability Report – Stakeholder Engagement
Disclosure 102-43	Approach to stakeholder engagement	Sustainability Report – Stakeholder Engagement
Disclosure 102-44	Key topics and concerns raised	Sustainability Report – Stakeholder Engagement
REPORTING PRACTICE		
Disclosure 102-45	Entities included in the consolidated financial statements	Annual Report – Financial Highlights
Disclosure 102-46	Defining report content and topic boundaries	Sustainability Report – About This Report
Disclosure 102-47	List of material topics	Sustainability Report – Material Topics
Disclosure 102-48	Restatements of information	None
Disclosure 102-49	Changes in reporting	None
Disclosure 102-50	Reporting period	Sustainability Report – About This Report
Disclosure 102-51	Date of most recent report	Sustainability Report 2017
Disclosure 102-52	Reporting cycle	Annual
Disclosure 102-53	Contact point for questions regarding the report	Sustainability Report – About This Report
Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report – About This Report
Disclosure 102-55	GRI content index	Sustainability Report – GRI Content Index
Disclosure 102-56	External assurance	Not sought

SUSTAINABILITY REPORT

GRI Standard	Disclosure Title	Page Reference & Remarks
GENERAL DISCLOSURE		
MANAGEMENT APPROACH		
Disclosure 103-1	Explanation of the material topic and its Boundary	Direct and Indirect economic impact Asset Quality & Integrity
Disclosure 103-2	The management approach and its components	Waste Management Employee attraction and retention Community
Disclosure 103-3	Evaluation of the management approach	Ethics and business conduct Independence and conflict of interest Regulatory compliance
ECONOMIC PERFORMANCE		
Disclosure 201-1	Direct economic value generated and distributed	Annual Report – Financial highlights
Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	We have assessed that climate change has no significant impact on our business
Disclosure 201-3	Defined benefit plan obligations and other retirement plans	There is no pension scheme and employees under retirement plan.
Disclosure 201-4	Financial assistance received from government	None
MARKET PRESENCE		
Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	We choose not to disclose as we reward based on meritocracy.
Disclosure 202-2	Proportion of senior management hired from the local community	We choose not to disclose as we reward based on meritocracy.
INDIRECT ECONOMIC IMPACTS		
Disclosure 203-1	Infrastructure investments and services supported	Our properties are premises used by local healthcare operators to provide medical services for local communities
Disclosure 203-2	Significant indirect economic impacts	This is not applicable to the trust.
PROCUREMENT PRACTICES		
Disclosure 204-1	Proportion of spending on local suppliers	This is not applicable to the trust due to the nature of our business.
ANTI-CORRUPTION		
Disclosure 205-1	Operations assessed for risks related to corruption	Annual Report – Anti-Corruption and Anti-Bribery
Disclosure 205-2	Communication and training about anti-corruption policies and procedures	
Disclosure 205-3	Confirmed incidents of corruption and actions taken	
ANTI-COMPETITIVE BEHAVIOR		
Disclosure 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No occurrence during our period of review.
ENERGY		
Disclosure 302-1	Energy consumption within the organization	Sustainability Report – Energy Usage
Disclosure 302-2	Energy consumption outside of the organization	Energy usage outside the organization is not significant hence we did not track.
Disclosure 302-3	Energy intensity	Sustainability Report – Energy Usage
Disclosure 302-4	Reduction of energy consumption	Sustainability Report – Energy Usage
Disclosure 302-5	Reductions in energy requirements of products and services	Sustainability Report – Energy Usage

SUSTAINABILITY REPORT

GRI Standard	Disclosure Title	Page Reference & Remarks
GENERAL DISCLOSURE		
WATER		
Disclosure 303-1	Water withdrawal by source	All water from our properties are obtained from public pipes managed by the local authorities which we have no control over.
Disclosure 303-2	Water sources significantly affected by withdrawal of water	All water from our properties are discharged to public drainage systems managed by the local authorities which we have no control over.
Disclosure 303-3	Water recycled and reused	There is no recycling water programme.
Disclosure 303-4	Water discharge	We do not track water discharge.
Disclosure 303-5	Water consumption	Sustainability Report – Water Usage
EMPLOYMENT		
Disclosure 401-1	New employee hires and employee turnover	Sustainability Report – Social
Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report – Social
Disclosure 401-3	Parental leave	Sustainability Report – Social
LABOUR /MANAGEMENT RELATIONS		
Disclosure 402-1	Minimum notice periods regarding operational changes	No occurrence during our period of review.
OCCUPATIONAL HEALTH AND SAFETY		
Disclosure 403-1	Workers representation in formal joint management–worker health and safety committees	This is not applicable to the trust due to the nature of our business.
Disclosure 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	No occurrence during our period of review.
Disclosure 403-3	Workers with high incidence or high risk of diseases related to their occupation	This is not applicable to the trust due to the nature of our business.
Disclosure 403-4	Health and safety topics covered in formal agreements with trade unions	This is not applicable to the trust due to the nature of our business.
Disclosure 403-5	Worker training on occupational health and safety	This is not applicable to the trust due to the nature of our business.
Disclosure 403-6	Promotion of worker health	Sustainability Report – Social
Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	This is not applicable to the trust due to the nature of our business.
Disclosure 403-8	Workers covered by an occupational health and safety management system	This is not applicable to the trust due to the nature of our business.
Disclosure 403-9	Work-related injuries	No occurrence during our period of review.
Disclosure 403-10	Work-related ill health	This is not applicable to the trust due to the nature of our business.
TRAINING AND EDUCATION		
Disclosure 404-1	Average hours of training per year per employee	Sustainability Report – Social
Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report – Social
Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report – Social

SUSTAINABILITY REPORT

GRI Standard	Disclosure Title	Page Reference & Remarks
GENERAL DISCLOSURE		
DIVERSITY AND EQUAL OPPORTUNITY		
Disclosure 405-1	Diversity of governance bodies and employees	Sustainability Report – Social
Disclosure 405-2	Ratio of basic salary and remuneration of women to men	We choose not to disclose as we reward based on meritocracy.
NON-DISCRIMINATION		
Disclosure 406-1	Incidents of discrimination and corrective actions taken	No occurrence during our period of review.
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	We have not identified this risk in our course of normal operations.
CHILD LABOR		
Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labor	We have not identified this risk in our course of normal operations.
FORCED OR COMPULSORY LABOR		
Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	We have not identified this risk in our course of normal operations.
SECURITY PRACTICES		
Disclosure 410-1	Security personnel trained in human rights policies or procedures	The security services at our properties are outsourced by property managers.
RIGHTS OF INDIGENOUS PEOPLES		
Disclosure 411-1	Incidents of violations involving rights of indigenous peoples	No occurrence during our period of review.
HUMAN RIGHTS ASSESSMENT		
Disclosure 412-1	Operations that have been subject to human rights reviews or impact assessments	No occurrence during our period of review.
Disclosure 412-2	Employee training on human rights policies or procedures	We have not identified this risk in our course of normal operations.
Disclosure 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	We have not identified this risk in our course of normal operations.
LOCAL COMMUNITIES		
Disclosure 413-1	Operations with local community engagement, impact assessments and development programs	This is not applicable to the trust due to the nature of our business.
Disclosure 413-2	Operations with significant actual and potential negative impacts on local communities	This is not applicable to the trust due to the nature of our business.
SUPPLIER SOCIAL ASSESSMENT		
Disclosure 414-1	New suppliers that were screened using social criteria	No occurrence during our period of review.
Disclosure 414-2	Negative social impacts in the supply chain and actions taken	This is not applicable to the trust due to the nature of our business.
PUBLIC POLICY		
Disclosure 415-1	Political contributions	No occurrence during our period of review.

SUSTAINABILITY REPORT

GRI Standard	Disclosure Title	Page Reference & Remarks
GENERAL DISCLOSURE		
CUSTOMER HEALTH AND SAFETY		
Disclosure 416-1	Assessment of the health and safety impacts of product and service categories	This is not applicable to the trust due to the nature of our business.
Disclosure 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No occurrence during our period of review.
MARKETING AND LABELING		
Disclosure 417-1	Requirements for product and service information and labeling	This is not applicable to the trust due to the nature of our business.
Disclosure 417-2	Incidents of non-compliance concerning product and service information and labeling	This is not applicable to the trust due to the nature of our business.
Disclosure 417-3	Incidents of non-compliance concerning marketing communications	This is not applicable to the trust due to the nature of our business.
CUSTOMER PRIVACY		
Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report – Corporate Governance Code of conduct
SOCIOECONOMIC COMPLIANCE		
Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	No occurrence during our period of review.

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 Manager adopts the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the "**MAS**") on 2 May 2012 (the "**2012 CG Code**") as its benchmark for corporate governance policies and practices. Save for the guidelines on disclosures of remuneration, the Manager has complied with the principles, guidelines and recommendations of the 2012 CG Code in all material aspects. The following describes the Manager's main corporate governance policies and practices, with specific reference to the 2012 CG Code.

The Manager is aware that the MAS had on 6 August 2018 issued a revised Code of Corporate Governance (the "**2018 CG Code**"). The 2018 CG Code will take effect for annual reports covering financial years commencing 1 January 2019 and the Manager will work towards the implementation of the 2018 CG Code.

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 Perpetual (Asia) 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 of Singapore (the "**SFA**") and all other relevant legislation, the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**", and the listing manual of SGX-ST, the "**Listing Manual**"), the Code on Collective Investment Schemes issued by the MAS (the "**CIS Code**"), in particular, Appendix 6 of the CIS Code (the "**Property Funds Appendix**"), the Manager's obligations under the trust deed constituting First REIT dated 19 October 2006 (as amended, supplemented or varied) (the "**Trust Deed**"), the Singapore Financial Reporting Standards, and 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 experienced and well-qualified management personnel to handle the day-to-day operations of the Manager.

CORPORATE GOVERNANCE REPORT

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Board's Leadership and Control

The board of directors of the Manager (the "**Directors**", and the board of Directors, 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 the management team ("**Management**") and monitoring the achievement of these goals. The Manager is responsible for the strategic business direction and risk management of First REIT. All Board members participate in matters relating to corporate governance, business operations and risk management and financial performance. Decisions are taken objectively in the best interest of First REIT. The Manager has adopted guidelines, details of which are also set out in this report, for Related Party Transactions (as defined herein) and dealing with conflicts of interests.

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 an enterprise risk management ("**ERM**") framework.

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 2012 CG Code.

The Board has considered and reviewed sustainability issues as part of its strategic formulation. More information on the material sustainability issues of First REIT are set out on pages 34 to 56 of this Annual Report.

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.

CORPORATE GOVERNANCE REPORT

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. Such training includes training sponsored by SGX-ST, the Accounting and Corporate Regulatory Authority, Singapore Institute of Directors, Singapore Business Federation and by audit firms. The costs of the training are borne by the Manager. 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, with expenses borne by the Manager. 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. During the financial year ended 31 December 2018 ("FY2018"), the Directors were briefed on the regulatory and legislative changes such as the 2018 CG Code as well as the changes to accounting standards.

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 as well as site visits are given to new Directors to ensure they are familiar with the Manager's business and governance practices. During FY2018, the Manager conducted an orientation programme which also included site visits to First REIT's properties in Singapore and Indonesia for a newly-appointed Independent Director, Mr Martin Lechner. The Manager will be arranging an orientation programme for Messrs Christopher James Williams, Chan Pengee Adrian and Ferris Charles Bye who were all appointed on 26 October 2018.

The number of Board, AC and NRC meetings held in FY2018 and the attendance by each of the Directors at these meetings are set out below:

Name of Directors	Board Meetings	Audit Committee Meetings	Nominating & Remuneration Committee Meetings
	No. of meetings held in FY2018: 4 Attended	No. of meetings held in FY2018: 4 Attended	No. of meetings held in FY2018: 1 Attended
Christopher James Williams (Appointed on 26 October 2018)	0	NA	NA
Tan Kok Mian Victor	4	4 ⁽¹⁾	1 ⁽¹⁾
Chan Pengee Adrian (Appointed on 26 October 2018)	0	0	0
Tan Chuan Lye	4	4	1
Martin Lechner (Appointed on 8 January 2018)	4	4	NA
Ferris Charles Bye (Appointed on 26 October 2018)	0	0	NA
Ketut Budi Wijaya	4	4 ⁽¹⁾	1
Carl Gabriel Florian Stubbe (Resigned on 26 October 2018)	4	4	NA
Wong Gang (Resigned on 26 October 2018)	4	4	1

(1) Attendance by invitation.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: Strong and Independent Board

The Board presently comprises seven Directors of whom four are Independent Directors. Each Director has been appointed on the strength of his calibre and experience. The composition of the Board is reviewed annually to ensure that the Board has the appropriate mix of expertise and experience. The Directors on the Board as at the date of this report are as follows:

Mr Christopher James Williams (Chairman)	(Non-Independent Non-Executive Director)
Mr Tan Kok Mian Victor	(Executive Director and Chief Executive Officer (“ CEO ”))
Mr Chan Pengee Adrian	(Lead Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Mr Martin Lechner	(Independent Director)
Mr Ferris Charles Bye	(Independent Director)
Mr Ketut Budi Wijaya	(Non-Independent Non-Executive Director)

As the current Chairman of the Board, Mr Christopher James Williams, is a Non-Independent Non-Executive Director, Mr Chan Pengee Adrian has been appointed as Lead Independent Director on 26 October 2018. The Lead Independent Director is available to Unitholders where they have concerns and for which contact through the normal channels of the CEO has failed to resolve or is inappropriate. Mr Chan Pengee Adrian is also the Chairman of the NRC.

No alternate Director had been appointed to the Board during FY2018.

The Board comprises business leaders and professionals with fund management, legal and finance backgrounds. Key information on Directors’ particulars and background are set out on pages 11 and 14 of this Annual Report.

The composition of the Board (including selection of candidates for new appointments as part of the Board’s renewal process) 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 2012 CG Code;
- the Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, legal and the finance industry; and
- at least half of the Board should comprise Independent Directors.

The Board is of the view that its current composition comprises persons who as a group, provide the necessary core competencies and that the current Board size is appropriate to facilitate effective decision making, robust deliberations and discussions and effective oversight over Management. The Board will continue to review its composition periodically, taking into account the need for progressive renewal of the Board to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.

The assessment of a Director’s independence takes into account Guideline 2.3 of the 2012 CG Code, the Listing Manual, as well as the enhanced independence requirements and the definition of an “independent director” as set out in the Securities and Futures (Licensing and Conduct of Business) Regulations (the “**SF Regulations**”). Under the enhanced independence requirements set out in the SF Regulations, an independent director is one who (i) is independent from any management and business relationship with the Manager and First REIT, (ii) is independent from any substantial shareholder of the Manager and any substantial Unitholder, (iii) is not a substantial shareholder of the Manager or a substantial Unitholder and (iv) has not served on the Board for a continuous period of 9 years or longer. Further details on the review of the Director’s independence is found on page 62 of this report.

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The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of strategic objectives of the Manager and First REIT. The Non-Executive Directors meet at least once annually without the presence of Management.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority

The positions of Chairman of the Board and CEO are held by separate individuals in order to maintain effective segregation of duties. There is a clear separation of roles and duties between the Chairman of the Board and CEO. Mr Christopher James Williams is a Non-Independent Non-Executive Director who was appointed as Chairman of the Board on 26 October 2018 while the CEO, Mr Tan Kok Mian Victor, is an Executive Director. The Chairman of the Board and CEO are not related to each other. The Chairman of the Board is also not part of Management.

The Chairman of the Board 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. In addition, the Chairman of the Board sets the agenda for Board meetings and ensures that adequate time is available for discussion of all agenda items and that complete, adequate and timely information is made available to the Board. The Chairman of the Board also facilitates effective contribution of Non-Executive Directors, encourages constructive relations within the Board and between the Board and Management, ensures effective communication with Unitholders and promotes a high standard of corporate governance.

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.

Board Membership

Principle 4: Formal and transparent process for appointment of directors

The NRC comprises three members, a majority of whom (including the Chairman of the NRC) are Independent Directors and all of whom are Non-Executive Directors. The members of the NRC as at the date of this report are as follows:

Mr Chan Pengee Adrian (Chairman)	(Lead Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Mr Ketut Budi Wijaya	(Non-Independent Non-Executive Director)

During the financial year under review, the NRC had 1 meeting.

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

- making recommendations to the Board on all Board appointments, the composition and size of the Board 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 of Directors, in particular, the Chairman of the Board and CEO;
- determining annually, and as and when required, the independence of a Director;
- 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;

CORPORATE GOVERNANCE REPORT

- 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.

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. In addition, as part of the regulatory requirements, the MAS must approve any change of CEO or any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

The Board has determined that a Director may hold a maximum of ten listed company board representations after due deliberation, taking into account various factors, such as the estimated time and commitment required to act as a director of a listed company and the obligations and responsibilities associated with such a position. Notwithstanding that the Directors have multiple listed company board representations and/or other principal commitments, the NRC has assessed each individual Director on his continuous contribution and commitment to the role and considered factors including but not limited to such Director's attendance at all the Board meetings in FY2018. 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.

Review of Directors' Independence

The independence of each Independent Director is reviewed annually by the NRC based on the criteria as set out in Guideline 2.3 of the 2012 CG Code, the Listing Manual and the enhanced independence requirements set out in the SF Regulations. The Independent Directors are required to declare their independence annually and disclose to the Board any relationships or appointments which would impair their independence.

The NRC has ascertained that for the financial year under review, Mr Chan Pengee Adrian, Mr Martin Lechner, Mr Tan Chuan Lye and Mr Ferris Charles Bye, are considered to be independent. The NRC is satisfied that there are no relationships or circumstances identified in the 2012 CG Code, the Listing Manual and the SF Regulations which affect or would likely affect the independent judgment of the Independent Directors and their ability to act in the best interests of all Unitholders as a whole. None of the Independent Directors have served on the Board for more than nine years from the date of their first appointment.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contribution of each director

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 by the company secretary 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 the collective performance of the Board and that of individual Board members are reflected in the proper guidance, diligence oversight and leadership which the Board provides to Management as well as 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. Pursuant to the Board evaluation process, the Board is satisfied that it has achieved its performance objectives for FY2018.

As part of the assessment of the performance and composition of the Board for FY2018, the Board, after taking into account the NRC's views, is also satisfied that it has the appropriate size and mix of expertise and experience, taking into account the skills, experience, gender knowledge and contribution of the Directors in the financial year, including the level of attendance and participation at Board meetings.

Access to Information

Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis

Management has an on-going obligation to supply the Board with complete and adequate information in a timely manner. The Board is informed of all material events and transactions as and when they occur. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to Management at all times. Requests for information from the Board are dealt with promptly by Management.

The Board is furnished with relevant and complete board papers at least a week prior to Board meetings in order to give them ample time to prepare for the Board meetings. For matters which require the Board's decision outside such meetings, Board papers will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Management directly, before approval is granted.

The Directors also have separate and independent access to the company secretary. The company secretary (or his nominees) attends all Board and Board Committee meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable are complied with. The company secretary assists the Chairman of the Board, the Chairman of each of the Board Committee and Management in the development of agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, need independent professional advice to fulfil their duties, such advice may be obtained from a professional firm and the costs will be borne by the Manager.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

Level and Mix of Remuneration

Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management

Disclosure on Remuneration

Principle 9: Clear disclosure on remuneration policy, level and mix

The Manager, not First REIT, remunerates all Directors and employees of the Manager. The remuneration of the Directors in the form of directors' fees is paid wholly in cash and the remuneration of the Management in the form of salaries, annual bonuses and allowances is also paid wholly in cash. There is no non-monetary remuneration in the form of stock options or Units paid to the Directors or the Management for FY2018.

The NRC supports the Board in the remuneration matters of the Manager in accordance with the NRC's written terms of reference. 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, and to ensure that the compensation offered by the Manager are (i) competitive and will attract, retain and motivate Directors and key management personnel and (ii) for Directors to be good stewards of the Manager and First REIT and for key management personnel with the required experience and expertise to run the Manager successfully. In developing and reviewing the remuneration framework for Directors and the key management personnel of the Manager, the NRC would take into consideration the Manager's existing remuneration policy and other conditions within the REIT management industry, such as the remuneration policies of comparable REIT managers. The remuneration policy of the Manager is structured to attract and retain highly qualified persons, and the Manager's overall goal is to ensure the long-term sustainability and success of the Manager and First REIT.

Remuneration of Non-Executive Directors

The remuneration for each Non-Executive Director takes into account the relevant Director's contribution and responsibilities, including attendance and time spent at Board and Board Committee meetings, and the industry practices and norms on remuneration including guidelines set out in the Statement of Good Practice issued by the Singapore Institute of Directors. The following are the components of the fee structure for Non-Executive Directors for FY2018:

- 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

CORPORATE GOVERNANCE REPORT

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 a fixed salary and a performance bonus which is tied to the performance of the First REIT and the Manager, as well as achieving sustainable returns for the Unitholders.

The CEO's performance bonus and remuneration 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 maximise profit of the Manager and First REIT;
- 5) effectiveness and productivity of acquisitions; and
- 6) quality of risk management and control on an ongoing basis.

For the avoidance of doubt, the CEO, Mr Tan Kok Mian Victor, was not involved in the decision of the Board on his own remuneration.

The 2012 CG Code and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) require (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis, (ii) the disclosure of the remuneration of at least the top five key management personnel / top five executive officers (who are neither Directors nor the CEO), on a named basis, in bands of S\$250,000, and (iii) in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). In the event of non-disclosure, the Manager is required to provide reasons for such non-disclosure. After much deliberation, the Board is of the view that disclosure of the remuneration of each individual Director, the CEO and the top five executive officers on a named basis, whether in exact quantum or in bands of S\$250,000, and the total remuneration paid to the top five key management personnel (who are not Directors or the CEO) will not be in the best interests of the Manager, First REIT or its Unitholders. In arriving at its decision, the Board had taken into consideration, inter alia, the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment which First REIT operates in, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place and the negative impact which such disclosure may have on the Manager in attracting and retaining talent for the Manager (at the Board and Management levels) on a long-term basis. Accordingly, the Board is of the view that the non-disclosure of the remuneration, whether in exact quantum or in bands of S\$250,000, of each individual Director, the CEO and top five executive officers, and the total remuneration paid to the top five key management personnel (who are not Directors or the CEO), will not be prejudicial to the interest of the Unitholders.

CORPORATE GOVERNANCE REPORT

Remuneration of Key Management Personnel

The remuneration of key management personnel comprises a fixed salary and a performance bonus. The Manager currently does not have in place long-term or short-term incentive schemes for executive Directors and key management personnel.

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.

There is no existing service agreement entered into by the Directors or key management personnel with the Manager that provides for termination, retirement or post-employment benefits. During FY2018, 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.

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

No remuneration consultants were engaged in FY2018. 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 and whose remuneration exceeded S\$50,000 in FY2018. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Board presents the company's performance, position and prospects

The Manager provides Unitholders with quarterly and annual financial statements which present a balanced, clear and informed assessment of First REIT's performance, position and prospects through announcements on SGX-ST and, on First REIT's website.

Other material information is also disseminated to Unitholders through announcements via SGXNET, press releases and First REIT's website.

Management provides the Board with management accounts on a quarterly basis and as the Board may require from time to time. Such reports enable the Board members to make a balanced and informed assessment of the Group's performance, position and prospects.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

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. The Manager has in place an ERM framework and policies which have been approved by the Board that provide a structured approach to identifying and managing the material risks that would arise in the course of managing First REIT. The ERM framework and policies are monitored and reviewed by the Board and major developments or significant revision to the ERM framework or policies will be submitted to the Board for approval. An independent consultant has been engaged to review the ERM framework, the identified risks and the controls annually. Material risks at both the Manager and First REIT are managed through this ERM framework.

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 risks, the Board considers the economic environment and risks 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.

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 continues 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 CFO had provided assurance to the Board that (1) 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 of First REIT and (2) the risk management and internal control systems in place within First REIT were adequate and effective as at 31 December 2018 in addressing the material risks, including material financial, operational, compliance and information technology risks.

For FY2018, based on the report of the internal auditors, information furnished by the Management and observations made, the Board with 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 technology risks. The Manager has complied with Rule 1207(10) of the Listing Manual.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 12: Establishment of an Audit Committee with written terms of reference

Principle 13: Establishment of an internal audit function that is independent of the functions it audits

The AC is appointed by the Board from among the Directors and comprises the following four members, all of whom (including the Chairman of the AC) are Independent Directors. As at the date of this report, the members are as follows:

Mr Ferris Charles Bye (Chairman)	(Independent Director)
Mr Chan Pengee Adrian	(Lead Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Mr Martin Lechner	(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. The AC has also been tasked by the Board to include risk management within its oversight role. This includes the review of material risks identified by the Manager with respect to the business operations of the Manager, First REIT and the assets of First REIT.

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 Appendix 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 ensuring 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, such as the Listing Manual and the CIS Code, including the Property Funds Appendix;
- 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 risk management and internal controls systems including financial, operational, compliance and information technology controls;

CORPORATE GOVERNANCE REPORT

- 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
- reviewing the whistle blowing policy.

The AC meets at least 4 times a year, 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 FY2018 is set out on page 59 of this report.

In FY2018, the AC:

- (i) held 4 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;
- (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 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 Transactions on a quarterly basis;
- (viii) reviewed and determined the adequacy and effectiveness of the risk management and internal control systems, including financial, operational, compliance and information technology controls and made the requisite recommendations to the Board; and
- (ix) received the Manager's compliance report for FY2018.

CORPORATE GOVERNANCE REPORT

In the review of the financial statements for FY2018, the AC had discussed with Management the accounting principles that were applied and the AC's judgment of matters that might have impacted 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 the key assumptions and judgements used in the valuation models, namely, future rentals income growth, 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 their audit report for FY 2018. Please refer to page 79 to 80 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\$595,000, of which audit and non-audit services fees amounted to S\$518,000 and S\$77,000 respectively for the financial year under review.

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 risks.

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. For FY2018, the AC has reviewed the adequacy and effectiveness of the internal auditors and was satisfied that the internal auditors are adequately resourced, qualified to perform their function, have appropriate standing within First REIT 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.

CORPORATE GOVERNANCE REPORT

During the financial year under review, 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.

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Unitholders Rights

Principle 14: Fair and equitable treatment of Unitholders

Communication with Unitholders

Principle 15: Regular, effective and fair communication with Unitholders

Conduct of Unitholder Meetings

Principle 16: Greater unitholder participation at AGM

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 ("**Units**") without incurring additional transactional costs, in lieu of cash amount of any distribution that the DRP applies.

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 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. These minutes are available to Unitholders upon their request.

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

CORPORATE GOVERNANCE REPORT

As recommended by the 2012 CG 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 each general meeting, Unitholders are briefed on the voting procedures and the results of all votes cast for and 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. The outcome of the general meeting is also promptly announced on SGXNET after each general meeting.

The Trust Deed does not allow a Unitholder to vote in absentia at general meetings but allows any Unitholder to appoint proxies during his/her absence to attend and vote on his/her behalf at the general meetings.

First REIT targets to provide sustainable distribution payout.

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

The Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealing in Units as set out above.

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 interests 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 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 rights 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 external parties such as supplier, customers, contractors and other stakeholder 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. Details of this Whistle Blowing Policy have been disseminated and are made publicly available to all employees and external parties on the Manager's website. Reports can be lodged via email at Bowsprit.Whistleblow@boardroomlimited.com.

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 the AC that any such transaction satisfies 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 Appendix).

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

CORPORATE GOVERNANCE REPORT

- 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 subject to review and approval 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 Appendix, such transactions would have to be approved by Unitholders at a meeting of Unitholders.

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 are in accordance with all applicable requirements of the Property Funds Appendix 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 Appendix (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS 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 an 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 also has the right to review such audit reports to ascertain that the Property Funds Appendix has 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 Appendix 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.

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 First REIT or deemed to be held by First REIT ("**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 First REIT 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 FY2018, the breakdown of the management fees paid was as follows:

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Base fees	5,715	5,403	5,671	5,403
Performance fees	5,720	5,474	5,720	5,474
	11,435	10,877	11,391	10,877

With effect from 1 January 2016, under the Property Funds Appendix, crystallisation of the annual performance fee has been revised to be no more frequent than once a year. From 1 January 2016 onwards, the Manager's performance fee is payable quarterly 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 the acquisition price and a divestment fee of 0.5% of the 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 the Deposited Property, 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 First REIT's 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 First REIT's portfolio relevant and adaptable to the changing economic and environmental landscapes.

As at 31 December 2018, First REIT's existing portfolio comprises twenty properties comprising sixteen properties located in Indonesia, three properties located in Singapore and one property located in South Korea, and has a combined gross floor area of 350,850 square metres and a valuation of S\$1.35 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 First REIT 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 First REIT's portfolio of properties and considers the acquisition and/or recycling of assets, where appropriate, to optimise First REIT's 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 issued at the prevailing market price and which should not be sold for a period of one year from the date of issuance. This additional requirement for interested party acquisitions and divestments further aligns the Manager's interests with Unitholders.

STATEMENT OF THE TRUSTEE

Perpetual (Asia) 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, First Amending and Restating Deed dated 23 March 2016, Supplement Deed of Retirement and Appointment of Trustee dated 1 November 2017 and Fifth Supplemental Deed dated 22 May 2018) (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 83 to 147, 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,
Perpetual (Asia) Limited

Ms Sin Li Choo
Managing Director

Singapore

6 March 2019

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 83 to 147 comprising the statements of total return, statements of distribution, statements of financial position, statements of 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 2018, the total return, distributions, movements 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 Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“**RAP 7**”) 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

Mr Tan Kok Mian Victor
Executive Director and Chief Executive Officer

Singapore

6 March 2019

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 financial statements of First Real Estate Investment Trust (the “**Trust**”) and its subsidiaries (the “**Group**”), set out on pages 83 to 147, which comprise the consolidated statement of financial position and consolidated statement of portfolio of the Group and statement of financial position and statement of portfolio of the Trust as at 31 December 2018, and the consolidated statement of total return, consolidated statement of distribution, consolidated statement of movements in unitholders’ funds and consolidated statement of cash flows of the Group and the statement of total return, statement of distribution, statement of movements in unitholders’ funds and statement of cash flows of the Trust for the reporting year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, statement of portfolio, statement of total return, statement of distribution, statement of movements in unitholders’ funds and statement of cash flows 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 consolidated statement of financial position and consolidated portfolio holdings of the Group and the financial position and portfolio holdings of the Trust as at 31 December 2018 and the total return, distributable income, movements in unitholders’ funds and cash flows of the Group and of the Trust for the reporting year ended on that date.

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 our 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, 2C on critical judgements, assumptions and estimation uncertainties; Note 13 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\$1.35 billion as at 31 December 2018. The measurement of the fair values of the properties in the portfolio is a significant judgement area as 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 independent professional valuers who perform their work in accordance with international valuation professional standards.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

Valuation of investment properties (continued)

The investment properties are mainly valued through the use of expected future cash flows of each investment property over the specific 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 independent professional valuers by Bowsprit Capital Corporation Limited, the manager of the Trust (the "**Manager**" or "**management**").

We assessed the processes used by management including the selection of the independent professional valuers and their review. The independent professional valuers engaged by the Manager have experience in the markets in which the properties are located.

With assistance from our own valuation specialist, we assessed the independence, competence and experience of the independent professional valuers. We obtained all the independent professional 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.

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 where possible, and understanding of the reasons for significant or unusual movement of the key assumptions noted above. We compared the information provided by management to the independent professional valuers, such as rental income and property costs to available supporting documentation. We also considered the adequacy of the disclosures about the degree of critical judgement and estimation made when measuring the fair values of these properties.

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

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, corporate profile, financial highlights, trust structure, corporate information, property overview, corporate governance and statistics of unitholdings, 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.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

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.
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF FIRST REAL ESTATE INVESTMENT TRUST

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

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 Mr Lock Chee Wee.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

6 March 2019

Engagement partner – effective from year ended 31 December 2014

STATEMENTS OF TOTAL RETURN

Year Ended 31 December 2018

	Notes	Group		Trust	
		2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Rental and other income	4	116,198	110,993	64,685	62,110
Property operating expenses	5	(1,807)	(1,517)	(250)	(227)
Net property and other income		114,391	109,476	64,435	61,883
Interest income		1,690	1,429	1,541	1,756
Manager's management fees	6	(11,435)	(10,877)	(11,391)	(10,877)
Trustee fees	3	(427)	(405)	(427)	(405)
Finance costs	7	(21,614)	(17,818)	(21,614)	(17,818)
Other expenses	8	(2,298)	(1,056)	(1,619)	(722)
Net income before the undernoted		80,307	80,749	30,925	33,817
Net fair value (losses)/gains on investment properties	13	(5,358)	13,367	(912)	(1,423)
Net fair value losses of derivatives financial instruments	27	(174)	(558)	(174)	(558)
Total return for the year before income tax		74,775	93,558	29,839	31,836
Income tax benefit/(expense)	9	1,100	(20,120)	155	242
Total return for the year after income tax		75,875	73,438	29,994	32,078
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations, net of tax		370	(649)	–	–
Total comprehensive return for the year		76,245	72,789	29,994	32,078
Total return attributable to:					
Unitholders of Trust		72,467	70,030	26,586	28,670
Perpetual securities holders		3,408	3,408	3,408	3,408
		75,875	73,438	29,994	32,078
Total comprehensive return attributable to:					
Unitholders of Trust		72,837	69,381	26,586	28,670
Perpetual securities holders		3,408	3,408	3,408	3,408
		76,245	72,789	29,994	32,078
Earnings per unit in cents					
Basic and diluted	10	9.23	9.02	N/A	N/A

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

STATEMENTS OF DISTRIBUTION

Year Ended 31 December 2018

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Amount available for distribution to unitholders at beginning of the year	16,777	16,514	16,777	16,514
Total return for the year after income tax	75,875	73,438	29,994	32,078
Adjustments for tax purposes (Note A)	(8,096)	(6,779)	37,785	34,581
	67,779	66,659	67,779	66,659
Amount available for distribution to unitholders	84,556	83,173	84,556	83,173
Total distribution paid to unitholders (Note 11)	(67,542)	(66,396)	(67,542)	(66,396)
Amount available for distribution to unitholders at end of the year (Note 11A and Note 32)	17,014	16,777	17,014	16,777
Distribution per unit (cents)	8.60	8.57	8.60	8.57
Note A – Adjustments for tax purposes:				
Manager's management fees settled in units	9,459	8,892	9,459	8,892
Change in fair values of investment properties, net of deferred tax	(14,343)	(11,062)	757	1,181
Net losses in fair value of derivatives financial instruments	174	558	174	558
Capital repayment	–	–	30,406	28,273
Amount reserved for distribution to perpetual securities holders	(3,408)	(3,408)	(3,408)	(3,408)
Foreign exchange adjustment losses/(gains)	380	(1,526)	380	(1,526)
Other non-tax deductible items and adjustments	(358)	(233)	17	611
	(8,096)	(6,779)	37,785	34,581

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

ASSETS	Notes	Group		Trust	
		2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Non-current assets					
Plant and equipment	12	68	–	–	–
Investment properties	13	1,345,295	1,349,303	34,900	35,500
Investments in subsidiaries	14	–	–	778,734	804,472
Loan receivable, non-current	17	–	–	39,415	44,239
Deferred tax assets	9	1,368	1,213	1,368	1,213
Other receivable, non-current	15	27,035	27,035	–	–
Total non-current assets		1,373,766	1,377,551	854,417	885,424
Current assets					
Trade and other receivables, current	16	32,391	25,982	17,548	13,287
Loan receivable, current	17	–	–	4,191	4,191
Other financial assets, current	18	26	–	–	–
Other assets, current	19	4,833	4,573	251	25
Cash and cash equivalents	20	27,758	15,741	18,314	8,194
Total current assets		65,008	46,296	40,304	25,697
Total assets		1,438,774	1,423,847	894,721	911,121
Non-current liabilities					
Deferred tax liabilities	9	31,850	51,396	–	–
Other financial liabilities, non-current	24	386,761	278,125	386,761	278,125
Derivatives financial instruments	27	250	512	250	512
Total non-current liabilities		418,861	330,033	387,011	278,637
Current liabilities					
Income tax payable	9	1,989	2,000	–	–
Trade and other payables, current	25	16,135	18,216	17,176	23,931
Other financial liabilities, current	24	109,658	198,324	109,658	198,324
Other liabilities, current	26	22,793	22,795	1,965	1,926
Derivatives financial instruments	27	185	164	185	164
Total current liabilities		150,760	241,499	128,984	224,345
Total liabilities		569,621	571,532	515,995	502,982
Represented by:					
Net assets attributable to unitholders		808,275	791,437	317,848	347,261
Perpetual securities holders	22	60,878	60,878	60,878	60,878
Total net assets	21	869,153	852,315	378,726	408,139
Units in issue ('000)	21	788,480	779,955	788,480	779,955
Net asset value per unit in cents attributable to unitholders	21	102.51	101.47	40.31	44.52

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year Ended 31 December 2018

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
OPERATIONS				
Balance at 1 January	791,437	777,701	347,261	374,236
Total return attributable to unitholders of Trust	75,875	73,438	29,994	32,078
UNITHOLDERS' TRANSACTIONS (Note 21)				
Manager's acquisition fees settled in units	270	485	270	485
Manager's management fees settled in units	9,113	6,876	9,113	6,876
Distribution settled in units	2,160	3,390	2,160	3,390
Change in net assets resulting from creation of units	11,543	10,751	11,543	10,751
Amount reserved for distribution to perpetual securities holders	(3,408)	(3,408)	(3,408)	(3,408)
Distributions to unitholders (Note 11)	(67,542)	(66,396)	(67,542)	(66,396)
Net decrease in net assets resulting from unitholders' transactions	(59,407)	(59,053)	(59,407)	(59,053)
FOREIGN EXCHANGE RESERVE				
Net movement in other comprehensive income	370	(649)	-	-
Total unitholders' funds at 31 December	808,275	791,437	317,848	347,261
PERPETUAL SECURITIES				
Balance at 1 January	60,878	60,878	60,878	60,878
Total return attributable to perpetual securities holders	3,408	3,408	3,408	3,408
Distribution to perpetual securities holders	(3,408)	(3,408)	(3,408)	(3,408)
Balance at 31 December	60,878	60,878	60,878	60,878
Total	869,153	852,315	378,726	408,139

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

STATEMENTS OF CASH FLOWS

Year Ended 31 December 2018

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Cash flows from operating activities				
Total return before income tax	74,775	93,558	29,839	31,836
Adjustments for:				
Interest income	(1,690)	(1,429)	(1,541)	(1,756)
Interest expense	16,500	15,733	16,500	15,733
Amortisation of borrowing costs	5,114	2,085	5,114	2,085
Foreign exchange losses/(gains)	380	(1,526)	380	(1,526)
Dividend income	–	–	(60,772)	(58,274)
Net losses/(gains) in fair value of investment properties	5,358	(13,367)	912	1,423
Net losses in fair value of derivatives financial instruments	174	558	174	558
Manager's management fees settled in units	4,718	4,419	4,718	4,419
Operating cash flows before changes in working capital	105,329	100,031	(4,676)	(5,502)
Trade and other receivables, current	(6,211)	(14,178)	(4,261)	(6,022)
Other assets, current	(260)	(893)	(226)	27
Trade and other payables, current	(6,907)	3,882	(11,580)	(397)
Other liabilities, current	(2)	848	39	38
Net cash flows from/(used in) operating activities before income tax	91,949	89,690	(20,704)	(11,856)
Income taxes paid	(18,611)	(17,010)	–	–
Net cash flows from/(used in) operating activities	73,338	72,680	(20,704)	(11,856)
Cash flows from investing activities				
Increase in investment properties	(1,178)	(63,479)	(312)	(123)
Net movements in amounts due from subsidiaries	–	–	91,334	86,547
Acquisition of subsidiaries	–	–	–	(71,385)
Interest received	1,690	1,432	1,541	1,760
Purchase of plant and equipment	(68)	–	–	–
Investment in quoted shares	(26)	–	–	–
Progress payment for development of Siloam Hospitals Surabaya	–	(9,000)	–	–
Net cash flows from/(used in) investing activities	418	(71,047)	92,563	16,799
Cash flows from financing activities				
Distribution to unitholders	(65,382)	(63,006)	(65,382)	(63,006)
Increase in borrowings	24,000	63,070	24,000	63,070
Interest paid	(16,949)	(16,124)	(16,949)	(16,124)
Distribution to perpetual securities holders	(3,408)	(3,408)	(3,408)	(3,408)
Net cash flows used in financing activities	(61,739)	(19,468)	(61,739)	(19,468)
Net increase/(decrease) in cash and cash equivalents	12,017	(17,835)	10,120	(14,525)
Cash and cash equivalents, statement of cash flows, beginning balance	15,741	33,576	8,194	22,719
Cash and cash equivalents, statement of cash flows, ending balance (Note 20)	27,758	15,741	18,314	8,194

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

STATEMENTS OF PORTFOLIO

As at 31 December 2018

	Carrying value as at 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
Group:				
Investment properties in Indonesia	1,301,800	161.06	1,305,380	164.94
Investment properties in Singapore	34,900	4.32	35,500	4.49
Investment property in South Korea	8,595	1.06	8,423	1.06
Portfolio of investment properties at valuation – total	1,345,295	166.44	1,349,303	170.49
Other net liabilities	(476,142)	(58.91)	(496,988)	(62.80)
Net assets attributable to holders	869,153	107.53	852,315	107.69
Perpetual securities	(60,878)	(7.53)	(60,878)	(7.69)
Net assets attributable to unitholders	808,275	100.00	791,437	100.00
	Carrying value as at 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
Trust:				
Investment properties in Singapore	34,900	10.98	35,500	10.22
Portfolio of investment properties at valuation – total	34,900	10.98	35,500	10.22
Investments in subsidiaries	778,734	245.00	804,472	231.66
Other net liabilities	(434,908)	(136.83)	(431,833)	(124.35)
Net assets attributable to holders	378,726	119.15	408,139	117.53
Perpetual securities	(60,878)	(19.15)	(60,878)	(17.53)
Net assets attributable to unitholders	317,848	100.00	347,261	100.00

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

STATEMENTS OF PORTFOLIO

As at 31 December 2018

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 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
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/ 9 years	3,593	9,500	1.18	9,800	1.24
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/ 9 years	3,563	9,700	1.20	9,900	1.25
The Lentor Residence 51 Lentor Avenue, Singapore 786876 8 June 2007, Nursing Home 99 years leasehold from 1938 10+10+10 years/ 19 years	4,005	15,700	1.94	15,800	2.00
Portfolio of Investment Properties held by the Trust at Valuation – Sub-total		34,900	4.32	35,500	4.49
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/ 18 years	27,284	162,300	20.08	163,300	20.63
Siloam Hospitals Kebon Jeruk Jalan Raya Perjuangan Kav. 8 Kebon Jeruk, Jakarta 11530, Indonesia 11 December 2006, Hospital HGB 15+15 years/ 18 years	18,316	96,200	11.90	96,800	12.23

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

STATEMENTS OF PORTFOLIO

As at 31 December 2018

By Geographical Area (continued)

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 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
Indonesia (continued)					
Siloam Hospitals Surabaya Jalan Raya Gubeng No. 70 Surabaya 60281, Indonesia 11 December 2006, Hospital HGB 15+15 years/ 18 years (Also see Note 29)	9,227	28,100	3.48	29,200	3.69
Imperial Aryaduta Hotel & Country Club Jalan Boulevard Jenderal Sudirman, Kav. 401, Lippo Village 1300, Tangerang 15811, Banten, Indonesia 11 December 2006, Hotel & Country Club HGB 15+15 years/ 18 years	17,427	40,600	5.02	41,600	5.26
Mochtar Riady Comprehensive Cancer Centre Jalan Garnisun Dalam No. 2-3, Semanggi Jakarta 12930, Indonesia 30 December 2010, Hospital HGB 15+15 years/ 22 years	37,933	267,300	33.07	262,000	33.10
Siloam Hospitals Lippo Cikarang Jalan Mohammad Husni Thamrin Kav. 105 Lippo Cikarang, Bekasi, Indonesia 17550 31 December 2010, Hospital HGB 15+15 years/ 22 years	13,256	54,000	6.68	52,000	6.57

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

STATEMENTS OF PORTFOLIO

As at 31 December 2018

By Geographical Area (continued)

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 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
Indonesia (continued)					
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 & Hotel HGB 15+15 years/ 24 years	36,051	104,500	12.93	104,900	13.25
Siloam Hospitals Makassar Jalan Metro Tanjung Bunga Kav. 3-5 Makassar City, South Sulawesi Province, Indonesia 30 November 2012, Hospital HGB 15+15 years/ 24 years	14,307	72,900	9.02	72,300	9.14
Siloam Hospitals Bali Jalan Sunset Road No. 818, Kuta, Badung, Bali, Indonesia 13 May 2013, Hospital HGB 15+15 years/ 25 years	20,958	123,800	15.32	124,000	15.67
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/ 25 years	18,605	119,400	14.77	120,200	15.19

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

STATEMENTS OF PORTFOLIO

As at 31 December 2018

By Geographical Area (continued)

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 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
Indonesia (continued)					
Siloam Hospitals Purwakarta Jalan Raya Bungursari No. 1, Purwakarta, West Java, Indonesia 28 May 2014, Hospital HGB 15+15 years/ 26 years	8,254	40,400	5.00	41,000	5.18
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/ 26 years	15,709	41,600	5.15	43,100	5.45
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/ 27 years	55,368	74,100	9.17	77,100	9.74
Siloam Hospitals Labuan Bajo Jalan Gabriel Gampur, Gorontalo, Komodo, Manggarai Barat, Nusa Tenggara Timur, Indonesia 30 December 2016, Hospital HGB 15+15 years/ 28 years	7,604	20,600	2.55	21,000	2.65
Siloam Hospitals Buton & Lippo Plaza Buton Jalan Sultan Hasanuddin No. 50, 52, 54 and 58 Bau Bau, Sulawesi Tenggara, Indonesia 10 October 2017, Hospital & Mall Build, Operate and Transfer scheme 15+15 years/ 29 years	21,934	28,800	3.56	29,600	3.74

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

STATEMENTS OF PORTFOLIO

As at 31 December 2018

By Geographical Area (continued)

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 31.12.2018 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2018 %	Carrying value as at 31.12.2017 S\$'000	Percentage of net assets attributable to unitholders as at 31.12.2017 %
Indonesia (continued)					
Siloam Hospitals Yogyakarta Jalan Laksda Adisucipto No. 32-34 Yogyakarta, Indonesia 22 December 2017, Hospital HGB 15+15 years/ 29 years	12,474	27,200	3.36	27,280	3.45
South Korea					
Sarang Hospital No. 9 Bongsannam 3 rd Street, Yeosu City Jeonranam-do, South Korea 5 August 2011, Hospital Freehold 10+10 years/ 13 years	4,982	8,595	1.06	8,423	1.06
Portfolio of Investment Properties Held by the Group at Valuation – Total		1,345,295	166.44	1,349,303	170.49

Notes:

(a): This refers to the tenure of underlying land except for Siloam Srivijaya which is held on a strata title basis under a Build, Operate and Transfer (“BOT”) scheme and Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Hospitals Buton & Lippo Plaza Buton which are under BOT schemes.

(b): Remaining terms of lease includes option to renew the land leases except for Siloam Srivijaya which is held under strata title basis under a BOT scheme and Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Hospitals Buton & Lippo Plaza Buton which are under BOT schemes.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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, First Amending and Restating Deed dated 23 March 2016, Supplemental Deed dated 1 November 2017 and Fifth Supplemental Deed dated 22 May 2018) entered into between Bowsprit Capital Corporation Limited (the “**Manager**”) and Perpetual (Asia) Limited (the “**Trustee**”), governed by the laws of Singapore.

In 2017, the Trust has entered into Supplemental Deed of Retirement and Appointment of Trustee with Perpetual (Asia) Limited (“**new Trustee**”) and HSBC Institutional Trust Services (Singapore) Limited (“**retiring Trustee**”). On 1 March 2018, the Trust announced the retirement of retiring Trustee and appointment of new Trustee.

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 6 March 2019. 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, it is expected that the outstanding borrowings, maturing in the next 12 months, will be refinanced. 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.

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRS.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. General (continued)

Accounting convention (continued)

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 (the parent and its subsidiaries) 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 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.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity 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 the financial reporting standard on financial instruments.

The Trust's separate financial statements have been prepared on the same basis.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Rental and other income

(i) 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.

(ii) 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.

(iii) 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. 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.

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 a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. 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 2018

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 benefit) 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.

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 the 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 reporting entity'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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Joint arrangements – joint operations

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint operation, the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement. The reporting entity recognises its share of the operation's assets, liabilities, income and expenses that are combined line by line with similar items in the reporting entity's financial statements and accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSs applicable to the particular assets, liabilities, revenues and expenses. When the reporting entity enters into a transaction with a joint operation, such as a sale or contribution of assets, the reporting entity recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. At the end of the reporting year, there were no joint venture.

Business combinations

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

Plant and equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rate of depreciation is as follows:

Plant and equipment	–	20%
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An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Investment properties (continued)

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 independent professional 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.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date and accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

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.

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date.

The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity'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.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information (continued)

2A. Significant accounting policies (continued)

Fair value measurement (continued)

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.

In making the fair value measurement for a non-financial asset, management determines 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.

2B. Other explanatory information

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.

2C. 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 values of investment properties:

The Group carries the investment properties at fair value in the statement of financial position and engages independent professional valuers to undertake annual valuations. The measurement 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 flows, and the suitable discount rate, as disclosed in Note 13.

Allowance for doubtful trade receivables:

The entity has 5 customers and which can be graded as low risk individually. These trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. At the end of the reporting year a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note 16 on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies and other explanatory information (continued)

2C. Critical judgements, assumptions and estimation uncertainties (continued)

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 for investment property or when the revaluation model is required or permitted by a FRS for a non-financial asset. Management has taken the view that as there is clear evidence that the entity will consume the relevant asset's economic benefits throughout its economic life. The amount is in the Note 9 on income tax.

3. Related party relationships and transactions

3A. Related party transactions:

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party, Lippo ASM Asia Property Limited, a company incorporated in the Cayman Islands.

There are transactions and arrangements between the Trust and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and financial guarantees if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise. Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Property rental income ^(a)	79,610	91,957	–	–
The Manager				
Management fees	(11,435)	(10,877)	(11,391)	(10,877)
Acquisition-related fees	–	(555)	–	(555)
The Trustee				
Trustee fees	(427)	(405)	(427)	(405)

On 26 October 2018, OUE Limited ("OUE") and OUE Lippo Healthcare Limited ("OUE LH") have completed the acquisition of a 60% and 40% interest respectively in Bowsprit Capital Corporation Limited, the manager of First REIT from LK REIT Management Pte. Ltd., an indirect wholly owned subsidiary of PT Lippo Karawaci Tbk.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Related party relationships and transactions (continued)

3A. Related party transactions (continued):

From 26 October 2018, the immediate parent company of the Manager is OUE Limited, a company incorporated in Singapore.

- (a) The property rental income represents the rental income from PT Lippo Karawaci Tbk, a former parent company of the manager and its subsidiaries from 1 January to 26 October 2018.

The lessee, PT Lippo Karawaci Tbk and its subsidiaries, have provided bank guarantees and performance bond guarantees of S\$49,726,000 (2017: S\$50,000,000) in lieu of the security deposits for rental income from the properties and asset-enhancement transaction in relation to Siloam Hospitals Surabaya. These guarantees which expired in 2018 have been renewed up to March, May, August, September, November and December 2019 as appropriate.

Acquisition related fees payable to the Manager are disclosed in Note 21.

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% (2017: 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% (2017: 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% (2017: 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% (2017: 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 an annual fee not exceeding 0.1% (2017: 0.1%) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Related party relationships and transactions (continued)

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.

3C. Interests in the Trust:

	Units held		% interest held	
	2018	2017	2018	2017
The Manager				
Bowsprit Capital Corporation Limited	56,847,107	49,903,498	7.21	6.40
The director of Manager				
Mr Tan Kok Mian Victor	52,569	51,755	*	*

* Amount is less than 1%

4. Rental and other income

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Rental income	116,198	110,993	3,913	3,836
Dividend income from subsidiaries	–	–	60,772	58,274
	116,198	110,993	64,685	62,110

5. Property operating expenses

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Property tax expense	170	169	170	169
Valuation expenses	251	243	21	28
Professional fees	813	689	59	30
Impairment allowance on trade receivables	353	228	–	–
Others	220	188	–	–
	1,807	1,517	250	227

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. Manager's management fees

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Base fees (Note 3A)	5,715	5,403	5,671	5,403
Performance fees (Note 3A)	5,720	5,474	5,720	5,474
	11,435	10,877	11,391	10,877

7. Finance costs

	Group and Trust	
	2018	2017
	S\$'000	S\$'000
Interest expense	16,500	15,733
Amortised borrowing costs	5,114	2,085
	21,614	17,818

Included in the amortised borrowing costs is S\$2,639,000 of costs written off due to loans which were refinanced during the year.

8. Other expenses

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Foreign exchange losses/(gains)	1,051	(1,127)	372	(1,461)
Handling and processing fees	308	214	308	214
Professional fees	422	947	422	947
Project expenses	294	936	294	936
Other	223	86	223	86
	2,298	1,056	1,619	722

For 2017, included in professional fees are expenses in respect of the change in Trustee of S\$600,000.

Total fees to the auditors:

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Audit fees to independent auditors of the Trust	282	280	166	166
Audit fees to other independent auditors	236	226	–	–
Non-audit fees to independent auditors of the Trust	77	79	77	69

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

9. Income tax

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

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Current tax expense:				
Current tax expense	18,601	17,815	–	–
Subtotal	18,601	17,815	–	–
Deferred tax (benefit)/expense:				
Deferred tax (benefit)/expense	(19,701)	2,305	(155)	(242)
Subtotal	(19,701)	2,305	(155)	(242)
Total income tax (benefit)/expense	(1,100)	20,120	(155)	(242)

The change from net tax expense to net tax benefit for the current year resulted from the write back of provision for deferred taxation on fair value loss on investment properties resulting from a reduction in Indonesian tax rates, partly offset by current tax expenses.

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% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Total return before income tax	74,775	93,558	29,839	31,836
Income tax expense at the above rate	12,712	15,905	5,073	5,412
Not liable to tax	(4,054)	(7,764)	(4,810)	(5,250)
Effect of different tax rates in different countries	(9,340)	12,383	–	–
Tax transparency ^(a)	(418)	(404)	(418)	(404)
Total income tax (benefit)/expense	(1,100)	20,120	(155)	(242)

The amount of current income taxes payable as at the end of the reporting year was S\$1,989,000 (2017: S\$2,000,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

9. Income tax (continued)

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

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax relating to the changes in fair value of investment properties	(19,701)	2,305	(155)	(242)

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

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax (liabilities)/assets recognised in profit or loss:				
Deferred tax relating to the changes in fair value of investment properties	(30,482)	(50,183)	1,368	1,213

Presented in the statements of financial position as follows:

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities	(31,850)	(51,396)	–	–
Deferred tax assets	1,368	1,213	1,368	1,213
Net balance	(30,482)	(50,183)	1,368	1,213

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	
	2018	2017
	S\$'000	S\$'000
Foreign subsidiaries	70,741	67,691

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

10. Earnings per unit

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

	Group	
	2018	2017
Denominator: Weighted average number of units outstanding during the year ('000)	785,322	776,729
Numerator: Earnings attributable to unitholders Total return after income tax (S\$'000)	72,467	70,030
Earnings per unit (in cents) Basic and diluted	9.23	9.02

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.

11. Distributions to unitholders

	Group and Trust	
	2018	2017
	S\$'000	S\$'000
Total distribution paid during the year:		
Distribution of 2.13 cents per unit for the period from 1 October 2016 to 31 December 2016	–	16,447
Distribution of 2.14 cents per unit for the period from 1 January 2017 to 31 March 2017	–	16,608
Distribution of 2.14 cents per unit for the period from 1 April 2017 to 30 June 2017	–	16,654
Distribution of 2.14 cents per unit for the period from 1 July 2017 to 30 September 2017	–	16,687
Distribution of 2.15 cents per unit for the period from 1 October 2017 to 31 December 2017	16,798	–
Distribution of 2.15 cents per unit for the period from 1 January 2018 to 31 March 2018	16,878	–
Distribution of 2.15 cents per unit for the period from 1 April 2018 to 30 June 2018	16,914	–
Distribution of 2.15 cents per unit for the period from 1 July 2018 to 30 September 2018	16,952	–
	67,542	66,396

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

11. Distributions to unitholders (continued)

11A. Distribution per unit

	2018 Cents per unit	Group and Trust 2017 Cents per unit	2018 S\$'000	2017 S\$'000
Based on the number of units in issue at the dates of distributions	8.60	8.57	67,681	66,727

Distribution Type

Name of Distribution Distribution during the period (interim distributions)

Distribution Type Income/Capital

Distribution Rate	2018 Cents per unit	Group and Trust 2017 Cents per unit	2018 S\$'000	2017 S\$'000
Taxable Income ^(a) :	0.24	0.21	1,811	1,634
Tax-exempt Income ^(b) :	3.32	3.53	26,119	27,465
Capital ^(c) :	2.89	2.68	22,737	20,851
Subtotal:	6.45	6.42	50,667	49,950

Name of Distribution Distribution declared subsequent to end of the reporting year (final distribution)
(See Note 32)

Distribution Type Income/Capital

Distribution Rate	2018 Cents per unit	Group and Trust 2017 Cents per unit	2018 S\$'000	2017 S\$'000
Taxable Income ^(a) :	0.07	0.08	557	598
Tax-exempt Income ^(b) :	1.12	1.12	8,873	8,772
Capital ^(c) :	0.96	0.95	7,584	7,407
Subtotal:	2.15	2.15	17,014	16,777

Total annual distribution paid or declared

Taxable Income ^(a) :	0.31	0.29	2,368	2,232
Tax-exempt Income ^(b) :	4.44	4.65	34,992	36,237
Capital ^(c) :	3.85	3.63	30,321	28,258
Total:	8.60	8.57	67,681	66,727

- (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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

11. Distributions to unitholders (continued)

11A. Distribution per unit (continued)

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 December 2025.

All other investors will receive their distributions after deduction of tax at the rate of 17% (2017: 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% (2017: 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.

12. Plant and equipment

	Plant and equipment S\$'000
<hr/>	
<u>Group:</u>	
<u>Cost:</u>	
At 1 January 2017 and 31 December 2017	–
Additions	68
At 31 December 2018	68
<u>Accumulated depreciation:</u>	
At 1 January 2017 and 31 December 2017	–
Depreciation	*
At 31 December 2018	–
<u>Carrying amount</u>	
At 1 January 2017 and 31 December 2017	–
At 31 December 2018	68

* Amount is less S\$1,000.

Depreciation expense is recorded in property operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. Investment properties

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
At fair value:				
Balance at beginning of the year	1,349,303	1,273,159	35,500	36,800
Additions at cost	1,178	63,479	312	123
Translation differences	172	(702)	–	–
Change in fair value included in statements of total return (Level 3)	(5,358)	13,367	(912)	(1,423)
Balance at end of the year	1,345,295	1,349,303	34,900	35,500
Rental income from investment properties	116,198	110,993	3,913	3,836
Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the reporting year	(1,807)	(1,517)	(250)	(227)

The decrease in fair value is due to adverse 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.

The fair value of each investment property was measured in November 2018 and updated on 31 December 2018 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 values were based on valuations made by independent professional valuers on a systematic basis at least once yearly. In relying on the valuation reports, the management is satisfied that the independent professional valuers have appropriate professional qualifications, are independent and have recent experience in the location and category of the properties being valued. There have been no changes to the valuation techniques during the year. Management determined that the highest and best use of the assets are 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 2018

13. Investment properties (continued)

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

	2018	2017
1. <u>Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the properties</u>		
Indonesia	9.65% to 10.25%	9.54% to 9.87%
Singapore	8.50% to 8.75%	8.50% to 8.75%
South Korea	Note 1	Note 1
2. <u>Growth rates based on escalation rate in the lease agreements</u>		
Indonesia	#(A)	#(A)
Singapore	2.00%	2.00%
South Korea	Note 1	Note 1
3. <u>Cash flow forecasts derived from recent budget (assuming renewal of current leases where applicable)</u>		
Indonesia	2 to 26 years	3 to 27 years
Singapore	10 years	10 years
South Korea	Note 1	Note 1
4. <u>Terminal rate^{#(B)}</u>		
Indonesia	8.16% to 10.00%	8.13% to 10.50%
Singapore	7.00% to 7.50%	7.00% to 7.50%
South Korea	Note 1	Note 1
5. <u>Dates of valuations</u>		
Indonesia	5 Nov	30 Sep and 6 Nov
Singapore	5 Nov	6 Nov
South Korea	5 Nov	6 Nov

#(A) The growth rate for the base rents were capped at 2.00% (2017: 2.00%) of the preceding 12 months' base rent depending on the Consumer Price Index of Singapore. The variable rent is the amount equivalent from 0.00% to 2.00% (2017: 0.00% to 2.00%) of the tenant's gross revenue for the preceding calendar year, depending on the tenant's gross revenue growth. There is no variable rent for the first three years of the lease of Siloam Hospitals Kupang (since 2015) and the first five years of the leases of Siloam Hospitals Labuan Bajo (since 2016), Siloam Hospitals Buton & Lippo Plaza Buton and Siloam Hospitals Yogyakarta (since 2017).

#(B) No terminal rate was used for the valuation of Siloam Sriwijaya, Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Hospitals Buton & Lippo Plaza Buton whose respective agreements with the provincial governments only allow for a fixed lease period each. 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 29).

Note 1: The valuations of the South Korea property for 2018 and 2017 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% (2017: 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. During the year, the Group had appointed an agent to assist in the disposal of the South Korea property although no sale and purchase agreement was signed as at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. Investment properties (continued)

The valuations for 2018 were made by the following independent professional valuers:

1. Five Indonesia properties – KJPP Willson & Rekan in association with Knight Frank (2017: Six)
2. Five Indonesia properties – KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. (2017: Five)
3. Four Indonesia properties – Colliers International Consultancy & Valuation (Singapore) Pte. Ltd. in alliance with KJPP Rinaldi Alberth Baroto & Partners (2017: Five)
4. Two Indonesia properties – Cushman & Wakefield VHS Pte Ltd in collaboration with KJPP Firman, Suryantoro, Sugeng, Suzy, Hartomo & Rekan (2017: Nil)
5. Three Singapore properties – Cushman & Wakefield VHS Pte. Ltd. (2017: Three)
6. South Korea property – Cushman & Wakefield VHS Pte. Ltd. (2017: One)

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 Hospitals Kebon Jeruk, Siloam Hospitals Purwakarta, Siloam Srivijaya, Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton & Lippo Plaza Buton and Siloam Hospitals Yogyakarta, all the properties are mortgaged as security for the bank facilities (Note 24). 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 Bangunan (“**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 Indonesia government owns the relevant land (“**BOT land**”). Under the BOT scheme, the Indonesia 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. Investment properties (continued)

(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 30).

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 2018 (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	1,336,700 (2017: 1,340,880)	Discounted cash flow method	Discount rate	8.50% to 10.25% (2017: 8.50% to 9.87%)	The higher the discount rate, the lower the fair value.
			Terminal rate	7.00% to 10.50% (2017: 7.00% to 10.50%)	The higher the terminal rate, the lower the fair value.
	8,595 (2017: 8,423)	Direct capitalisation method	Capitalisation rate	10.25% (2017: 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 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 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 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

31 December 2018

13. Investment properties (continued)

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

South Korea property:

1. Growth in rental income

A hypothetical 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 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 has a team that oversees the valuations of investment properties by independent professional valuers required for financial reporting, including fair values. This Asset and Investment team (“**valuation team**”) and Finance team report directly to the Chief Executive Officer (“**CEO**”). Discussions of valuation processes and results are held between the CEO, the finance team and the valuation team. The team engages independent professional valuers to determine the fair value of the Group’s properties every reporting year.

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 independent professional 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 independent professional valuers’ model of the location, building quality, surrounding local market condition, competitive positioning of the property, perceived market conditions in the future, estimated cash flow profile, overall physical condition and age of each property.

- *Expected net rental cashflows*

These are estimated by management based on existing lease agreements and market conditions as at 31 December 2018. The estimates are largely consistent with management’s knowledge of actual conditions and situations from tenants.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. Investments in subsidiaries

	Trust	
	2018	2017
	S\$'000	S\$'000
Movements during the year. At cost:		
Balance at beginning of the year	804,472	756,461
Additions at cost	–	71,385
Redemption of redeemable preference shares	(25,738)	(23,374)
Cost at the end of the year	778,734	804,472

	Trust	
	2018	2017
	S\$'000	S\$'000
Total cost comprising:		
Unquoted equity shares at cost	414,292	414,292
Redeemable preference shares at cost	372,578	398,316
Allowance for impairment	(8,136)	(8,136)
Total at cost	778,734	804,472
Movement in allowance for impairment:		
Balance at beginning and end of the year	(8,136)	(8,136)

The details of the subsidiaries are disclosed in Note 35 below.

15. Other receivables, non-current

	Group	
	2018	2017
	S\$'000	S\$'000
Balance at the end of the year	27,035	27,035

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% (2017: 6%) per annum, will be reclassified to investment properties upon completion. The details are disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

16. Trade and other receivables, current

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Trade receivables:</u>				
Outside parties	7,859	7,766	707	198
Less impairment allowance	(3,754)	(3,333)	–	–
Related parties	22,929	14,192	8	8
Net trade receivables – subtotal	27,034	18,625	715	206
<u>Other receivables:</u>				
Subsidiaries	–	–	17,172	13,413
Less impairment allowance	–	–	(567)	(567)
Outside parties	5,357	7,357	228	235
Net other receivables – subtotal	5,357	7,357	16,833	13,081
Total trade and other receivables	32,391	25,982	17,548	13,287

The other receivables from outside parties are mainly tax recoverable for the properties acquired.

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Movement in above allowance:</u>				
Balance at beginning of the year	(3,333)	(3,360)	(567)	(567)
Impairment allowance included in statement of total return	(353)	(228)	–	–
Foreign exchange difference	(68)	255	–	–
Balance at the end of the year	(3,754)	(3,333)	(567)	(567)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

16. Trade and other receivables, current (continued)

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as follows for both trade receivables:

	Gross amount		Loss allowance	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade receivables:				
1 to 30 days past due	17,789	16,931	–	–
31 to 60 days past due	8,796	978	(160)	(72)
61 to 90 days past due	497	–	–	–
Over 90 days past due	3,706	4,049	(3,594)	(3,261)
Total	30,788	21,958	(3,754)	(3,333)

The loss allowance of S\$3,754,000 (2017: S\$3,333,000) was due to the receivable from the tenant of Sarang Hospital.

17. Loan receivable

	Trust	
	2018	2017
	S\$'000	S\$'000
Loan receivable from subsidiary:		
Non-current portion	39,415	44,239
Current portion	4,191	4,191
Total	43,606	48,430

The agreement for the loan receivable provides that it is unsecured, with effective interest at 3.37% to 3.49% (2017: 0.00% to 3.39%) per annum and is repayable by quarterly instalments at Singapore Swap Offer Rate ("SOR") plus a margin. 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

31 December 2018

18. Other financial assets, current

	Group	
	2018 S\$'000	2017 S\$'000
Investment in FVTPL	26	–
Movements during the year:		
Fair value at beginning of the year	–	–
Additions	264	–
Disposals	(232)	–
Loss on disposals through profit or loss under other expenses	(6)	–
Fair value at end of the year	26	–

Disclosures relating to investments at FVTPL

		Group			
	Level	2018 S\$'000	2017 S\$'000	2018 %	2017 %
Quoted equity shares:					
Financial services industry: Singapore	1	26	–	100	–

Sensitivity analysis: The effect on pre-tax profit is not significant.

19. Other assets, current

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Prepayments	251	48	251	25
Prepaid other taxes	4,582	4,525	–	–
	4,833	4,573	251	25

20. Cash and cash equivalents

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Not restricted in use	27,758	15,741	18,314	8,194

The rate of interest for the cash on interest-earning accounts is 1.10% (2017: 0.52% to 1.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

20. Cash and cash equivalents (continued)

20A. Non-cash transactions:

Group

- (a) There were units issued as settlement of the Manager's management and acquisition fees (Note 21).
- (b) Eligible unitholders that have elected to participate in the Distribution Reinvestment Plan ("DRP") received their distributions in units (Note 21).

Trust

- (a) Dividend income amounting to S\$60,772,000 (2017: S\$58,274,000) were offset against the amount due to subsidiaries.
- (b) Redeemable preference shares amounting to S\$25,738,000 (2017: S\$23,374,000) redeemed during the financial year were offset against the amount due to subsidiaries.
- (c) The repayment of loan receivable amounting to S\$4,824,000 (2017: S\$4,899,000) was offset against the amount due to a subsidiary.

20B. Reconciliation of liabilities arising from financing activities:

The changes in the Group liabilities arising from financing activities can be classified as follow:

	Non-current borrowings S\$'000	Current borrowings S\$'000	Total S\$'000
Group			
Balance at 1 January 2017	271,642	141,967	413,609
<u>Cash flows:</u>			
Proceeds	33,499	29,571	63,070
<u>Non-cash changes:</u>			
Borrowing cost capitalised during the year	–	(789)	(789)
Amortisation	1,136	949	2,085
Foreign exchange difference	–	(1,526)	(1,526)
Reclassification*	(28,152)	28,152	–
Balance at 31 December 2017	278,125	198,324	476,449
<u>Cash flows:</u>			
Proceeds	24,000	–	24,000
<u>Non-cash changes:</u>			
Borrowing cost capitalised during the year	(9,524)	–	(9,524)
Amortisation	4,407	707	5,114
Foreign exchange difference	380	–	380
Reclassification*	89,373	(89,373)	–
Balance at 31 December 2018	386,761	109,658	496,419

* Reclassification between long-term borrowings and short-term borrowings due to change in maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. Units in issue and net assets value attributable to unitholders

	Group and Trust 2018 '000	2017 '000
Units at beginning of the year	779,955	771,579
Issuance of new units as settlement of management fees ^(a)	6,752	5,314
Issuance of new units as settlement of acquisition fees ^(b)	191	362
Issuance of new units pursuant to the Distribution Reinvestment Plan ^(c)	1,582	2,700
Units at end of the year	788,480	779,955

- (a) A total of 6,752,000 (2017: 5,314,000) new units at an issue price range from S\$1.2324 to S\$1.3971 (2017: S\$1.2666 to S\$1.3387) 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, 1,833,000 (2017: 1,538,000) 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.

- (b) On 26 January 2018, the Trust announced the issue of 191,000 units to the Manager of the Trust with an issue price of S\$1.4078 per unit as acquisition fees of S\$270,000 of Siloam Hospitals Yogyakarta, which equivalent to 1.0% of the purchase consideration.

On 27 January 2017, the Trust announced the issue of 155,000 units to the Manager of the Trust with an issue price of S\$1.2947 per unit as acquisition fees of S\$200,000 of Siloam Hospitals Labuan Bajo, which equivalent to 1.0% of the purchase consideration.

On 16 November 2017, the Trust announced the issue of 207,000 units to the Manager of the Trust with an issue price of S\$1.3744 per unit as acquisition fees of S\$285,000 of Siloam Hospitals Buton & Lippo Plaza Buton, which equivalent to 1.0% of the purchase consideration.

- (c) The Trust introduced and implemented a Distribution Reinvestment Plan ("DRP") in 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 1,582,000 (2017: 2,700,000) new units at an issue price of S\$1.4078 for a quarter (2017: S\$1.2559 for a quarter) per unit were issued pursuant to the DRP.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. Units in issue and net assets value attributable to unitholders (continued)

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

Further, unitholders cannot give directions to the Trustee or the Manager (whether at a meeting of unitholders duly convened and held in accordance with the provisions of the Trust Deed or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- 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	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Net assets value attributable to unitholders	808,275	791,437	317,848	347,261
Net assets value per unit (in cents) attributable to unitholders	102.51	101.47	40.31	44.52

21A. Movements in components of unitholders' funds and perpetual securities holders

	Unitholders' funds				Perpetual securities	Total
	Issued equity	Retained earnings	Foreign exchange reserve	Subtotal		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group:						
Current year:						
Opening balance at 1 January 2018	406,603	383,791	1,043	791,437	60,878	852,315
Total comprehensive return for the year	–	72,467	370	72,837	3,408	76,245
Manager's acquisition-related fees settled in units	270	–	–	270	–	270
Manager's management fees settled in units	9,113	–	–	9,113	–	9,113
Distributions to perpetual securities holders	–	–	–	–	(3,408)	(3,408)
Distribution settled in units	2,160	–	–	2,160	–	2,160
Distributions	(30,160)	(37,382)	–	(67,542)	–	(67,542)
Closing balance at 31 December 2018	387,986	418,876	1,413	808,275	60,878	869,153

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. Units in issue and net assets value attributable to unitholders (continued)

21A. Movements in components of unitholders' funds and perpetual securities holders (continued)

	Unitholders' funds			Subtotal S\$'000	Perpetual securities S\$'000	Total S\$'000
	Issued equity S\$'000	Retained earnings S\$'000	Foreign exchange reserve S\$'000			
Group:						
Previous year:						
Opening balance at 1 January 2017	423,654	352,355	1,692	777,701	60,878	838,579
Total comprehensive return for the year	–	70,030	(649)	69,381	3,408	72,789
Manager's acquisition-related fees settled in units	485	–	–	485	–	485
Manager's management fees settled in units	6,876	–	–	6,876	–	6,876
Distributions to perpetual securities holders	–	–	–	–	(3,408)	(3,408)
Distribution settled in units	3,390	–	–	3,390	–	3,390
Distributions	(27,802)	(38,594)	–	(66,396)	–	(66,396)
Closing balance at 31 December 2017	406,603	383,791	1,043	791,437	60,878	852,315

	Unitholders' funds			Sub-total S\$'000	Perpetual securities S\$'000	Total S\$'000
	Issued equity S\$'000	Accumulated losses S\$'000				
Trust:						
Current year:						
Opening balance at 1 January 2018	406,603	(59,342)		347,261	60,878	408,139
Total comprehensive return for the year	–	26,586		26,586	3,408	29,994
Manager's acquisition-related fees settled in units	270	–		270	–	270
Manager's management fees settled in units	9,113	–		9,113	–	9,113
Distributions to perpetual securities holders	–	–		–	(3,408)	(3,408)
Distribution settled in units	2,160	–		2,160	–	2,160
Distributions	(30,160)	(37,382)		(67,542)	–	(67,542)
Closing balance at 31 December 2018	387,986	(70,138)		317,848	60,878	378,726
Previous year:						
Opening balance at 1 January 2017	423,654	(49,418)		374,236	60,878	435,114
Total comprehensive return for the year	–	28,670		28,670	3,408	32,078
Manager's acquisition-related fees settled in units	485	–		485	–	485
Manager's management fees settled in units	6,876	–		6,876	–	6,876
Distributions to perpetual securities holders	–	–		–	(3,408)	(3,408)
Distribution settled in units	3,390	–		3,390	–	3,390
Distributions	(27,802)	(38,594)		(66,396)	–	(66,396)
Closing balance at 31 December 2017	406,603	(59,342)		347,261	60,878	408,139

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. 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	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Net debt:				
All external borrowings	496,419	476,449	496,419	476,449
Less cash and cash equivalents	(27,758)	(15,741)	(18,314)	(8,194)
Net debt	468,661	460,708	478,105	468,255
Adjusted capital:				
Issued equity	387,986	406,603	387,986	406,603
Retained earnings/(Accumulated losses)	418,876	383,791	(70,138)	(59,342)
Foreign exchange reserve	1,413	1,043	–	–
Perpetual securities	60,878	60,878	60,878	60,878
Adjusted capital	869,153	852,315	378,726	408,139
Debt-to-adjusted capital ratio	53.92%	54.05%	126.24%	114.73%

The improvement as shown by the decrease in the debt-to-adjusted capital ratio for the reporting year resulted primarily from the increase in retained earnings. There was a favourable change with 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 quarterly 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 35.0% (2017: 33.6%) as at end of the reporting year, which exclude the effect of perpetual securities which had been classified as equity by the Manager.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. Units in issue and net assets value attributable to unitholders (continued)

Capital management (continued):

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

22. Perpetual securities

In 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 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 21). An amount of S\$3,408,000 is reserved for distribution to perpetual securities holders for each of the year ended 31 December 2017 and 2018 respectively. 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 SFRS 32 Financial Instruments: Disclosure and Presentation. The perpetual securities are presented within equity, and distribution treated as dividends.

23. Financial ratios

	Group		Trust	
	2018	2017	2018	2017
Expenses to average net assets attributable to unitholders ratio – excluding performance related fees ⁽¹⁾	1.06%	0.87%	2.32%	1.81%
Expenses to average net assets attributable to unitholders ratio – including performance related fees ⁽¹⁾	1.77%	1.57%	4.05%	3.33%
Portfolio turnover ratio ⁽²⁾	NM	NM	NM	NM
Rent/EBITDA ratio of Indonesia properties ⁽³⁾	56.40%	55.92%	–	–
Total operating expenses (S\$'000) ⁽⁴⁾	14,867	33,975	13,532	11,989
Total operating expenses to net asset value ratio ⁽⁴⁾	1.84%	4.29%	4.26%	3.45%

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

23. Financial ratios (continued)

- (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 (up to 25 October 2018), 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 Indonesia 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 8 October 2018 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 there was no sale of investment property in 2017 and 2018.

24. Other financial liabilities

	Group and Trust	2017
	2018	2017
	S\$'000	S\$'000
Current:		
Bank loans (secured) (Note 24A)	–	99,031
Transaction cost to be amortised	–	(615)
	–	98,416
Fixed rate notes (Note 24B)	–	100,000
Transaction cost to be amortised	–	(92)
	–	99,908
Bank loan (unsecured) ^(a)	110,000	–
Transaction cost to be amortised	(342)	–
	109,658	–
Current, total	109,658	198,324

- (a) During the year, the Trust obtained a bank loan of S\$100 million with floating rate ranging from 2.55% to 3.06% per annum, maturing in May 2019, to repay the fixed rate notes (Note 24B). The remaining loan of S\$10 million is due in March 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

24. Other financial liabilities (continued)

	Group and Trust	
	2018	2017
	S\$'000	S\$'000
<hr/>		
Non-current:		
Bank loans (secured) (Note 24A)	392,962	269,550
Transaction cost to be amortised	(6,201)	(1,382)
	<u>386,761</u>	<u>268,168</u>
Bank loan (unsecured)	–	10,000
Transaction cost to be amortised	–	(43)
	<u>–</u>	<u>9,957</u>
Non-current, total	<u>386,761</u>	<u>278,125</u>
Total other financial liabilities	<u>496,419</u>	<u>476,449</u>

24A. Bank loans (secured)

	Group and Trust	
	2018	2017
	S\$'000	S\$'000
<hr/>		
Current:		
Bank loan B (secured)	–	33,160
Transaction cost to be amortised	–	(119)
	<u>–</u>	<u>33,041</u>
Bank loan C (secured)	–	36,300
Transaction cost to be amortised	–	(202)
	<u>–</u>	<u>36,098</u>
Bank loan E (secured)	–	29,571
Transaction cost to be amortised	–	(294)
	<u>–</u>	<u>29,277</u>
Current, total	<u>–</u>	<u>98,416</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

24. Other financial liabilities (continued)

24A. Bank loans (secured) (continued)

	Group and Trust	
	2018	2017
	S\$'000	S\$'000
<hr/>		
Non-current:		
Bank loan A (secured)	–	91,600
Transaction cost to be amortised	–	(76)
	<hr/>	<hr/>
	–	91,524
Bank loan C (secured)	–	101,950
Transaction cost to be amortised	–	(542)
	<hr/>	<hr/>
	–	101,408
Bank loan D (secured)	–	45,000
Transaction cost to be amortised	–	(398)
	<hr/>	<hr/>
	–	44,602
Bank loan F (secured)	–	31,000
Transaction cost to be amortised	–	(366)
	<hr/>	<hr/>
	–	30,634
Bank loan G (secured)	392,962	–
Transaction cost to be amortised	(6,201)	–
	<hr/>	<hr/>
	386,761	–
Non-current, total	<hr/> 386,761	<hr/> 268,168

In March 2018, the Trust had drawn down Bank loan G under a S\$400 million syndicated secured financing facilities to refinance Bank loans A to F. Bank loan G consists of a 3-year Singapore dollar term loan, a 4-year Singapore dollar term loan, a 5-year Singapore dollar term loan and a 3-year dual currency revolving credit facility loan in Singapore and United States dollar. The amounts under Bank loan G are due in March 2021, March 2022 and March 2023.

All mortgages, assignments of the Group's rights, titles, interest and benefits, debentures and charges were discharged and then executed in favour of Bank loan G.

All the amounts are at floating interest rates or arranged with interest rate swaps.

In 2017, the fixed interest rates of Bank loan D is 3.75% per annum. The range of floating interest rates for the Bank loan G (partial) are from 2.86% to 3.88% (2017: From 2.33% to 3.51%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

24. Other financial liabilities (continued)

24A. Bank loans (secured) (continued)

The range of effective interest rates for the above borrowings is from 3.60% to 4.00% (2017: 3.42% to 4.72% per annum).

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

- 1) Legal mortgage over all the properties of the Group except for Sarang Hospital, Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Purwakarta, Siloam Sriwijaya, Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton & Lippo Plaza Buton and Siloam Hospitals Yogyakarta.
- 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 Indonesia properties and the Singapore properties except for Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Purwakarta, Siloam Sriwijaya, Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton & Lippo Plaza Buton and Siloam Hospitals Yogyakarta.
- 3) Assignment to the banks of all of the Group's rights, titles and interests under the insurance policies in respect of the Indonesia properties and the Singapore properties, with the bank named as a "loss payee" except for Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Purwakarta, Siloam Sriwijaya, Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton & Lippo Plaza Buton and Siloam Hospitals Yogyakarta.
- 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 Kalmore Investments Pte Ltd, Surabaya Hospitals Investment Pte Ltd, Primerich Investments Pte Ltd, Henley Investments Pte Ltd, Glamis Investments Pte Ltd, Finura Investments Pte Ltd, Sriwijaya Investment I Pte Ltd, Sriwijaya Investment II Pte Ltd, SHKP Investment I Pte Ltd, SHKP Investment II Pte Ltd, Icon1 Holdings Pte Ltd, SHLB Investment I Pte Ltd, SHLB Investment II Pte Ltd, SHButon Investment I Pte Ltd, and SHButon 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, Surabaya Hospitals Investment Pte Ltd, Primerich Investments Pte Ltd, Henley Investments Pte Ltd, Glamis Investments Pte Ltd, Finura Investments Pte Ltd, Sriwijaya Investment I Pte Ltd, Sriwijaya Investment II Pte Ltd, SHKP Investment I Pte Ltd, SHKP Investment II Pte Ltd, Icon1 Holdings Pte Ltd, SHLB Investment I Pte Ltd, SHLB Investment II Pte Ltd, SHButon Investment I Pte Ltd, and SHButon Investment II Pte Ltd.
- 6) Charge of all of the Singapore subsidiaries' shares in the Indonesia subsidiaries except for (i) PT Tata Prima Indah, PT Graha Indah Pratama, PT Eka Dasa Parinama, PT Sriwijaya Mega Abadi, PT Nusa Bahana Niaga, PT Prima Labuan Bajo, PT Buton Bangun Cipta and (ii) Joint-operation company PT Yogya Central Terpadu.
- 7) A debenture by the Group covering first fixed and floating charges over all assets and undertakings in respect of the Singapore properties.
- 8) OUE Lippo Healthcare Limited's interest in the Trust is at least 8%.
- 9) OUE Limited's interest in Bowsprit Capital Corporation Limited is at least 40%.
- 10) Compliance with certain financial covenants.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

24. Other financial liabilities (continued)

24A. Bank loans (secured) (continued)

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

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

	Carrying amounts		Fair values	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Group and Trust				
Bank loan D (non-current)	–	26,102	–	26,363

In 2017, the fair value of the loans was estimated by discounting the future cash flows payable under the terms of the loan using 3.2% per annum applicable to loans of similar credit risk, terms and conditions (Level 2).

24B. Fixed rate notes

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

The total facility drawn down as at 31 December 2018 under the Programme matured on 22 May 2018 and was fully repaid. Fixed interest of 4.125% per annum is payable semi-annually in arrears. The effective interest rate is 4.37% per annum.

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

	Carrying amounts		Fair values	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Group and Trust				
Fixed rate notes	–	99,908	–	99,908

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

25. Trade and other payables, current

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables:				
Outside parties and accrued liabilities	147	157	68	78
Related party	8,380	8,326	8,380	8,326
Trade payables – subtotal	8,527	8,483	8,448	8,404
Other payables:				
Subsidiaries	–	–	6,933	11,392
Related party	22	22	–	–
Other payables	7,586	9,711	1,795	4,135
Other payables – subtotal	7,608	9,733	8,728	15,527
Total trade and other payables	16,135	18,216	17,176	23,931

Included in the Group's other payables as at end of the reporting years, were taxes payable to the vendors upon refund from the tax authorities.

26. Other liabilities, current

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Rental income in advance	20,909	20,949	81	80
Security deposits	1,884	1,846	1,884	1,846
	22,793	22,795	1,965	1,926

Rental received in advance from tenants.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

27. 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	
	2018	2017
	S\$'000	S\$'000
<hr/>		
Liabilities – Derivatives with negative fair values:		
Interest rate swaps (Note 27A) – Non-current	(250)	(512)
Interest rate swaps (Note 27A) – Current	(185)	(164)
	(435)	(676)
<hr/>		
The movements during the year were as follows:		
Balance at beginning of the year	(676)	(118)
Disposals	415	–
(Losses) recognised in profit or loss	(174)	(558)
Total net balance at end of the year	(435)	(676)
	<hr/>	<hr/>

27A. Interest rate swaps

As at 31 December 2018, the notional amount of six interest rate swaps for 2018 was S\$445,819,000 (2017: S\$90,815,000). The interest rate swaps are designed to convert floating borrowing to fixed rate loans for the next two years. The group receives variable interest equal to the SOR on the notional contract amount. At the end of the reporting year, the interest rates vary from 1.79% to 2.01% (2017: 1.78% to 1.88%). The interest rate swaps will mature between 1 June 2019 to 1 June 2020.

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 valuation technique used market observable inputs.

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.

28. 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: Indonesia operations, Singapore operations and South Korea 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

28. Financial information by operating segments (continued)

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

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 financial performance measurement is to evaluate the properties based on their returns and yields.

	Indonesia S\$'000	Singapore S\$'000	South Korea S\$'000	Total S\$'000
2018				
Profit or loss reconciliation				
Rental and other income	111,583	3,913	702	116,198
Impairment allowance on trade receivables	–	–	(353)	(353)
Net property income	110,762	3,414	215	114,391
Interest income	1,676	14	–	1,690
Manager's management fees				(11,435)
Trustee fees				(427)
Finance costs	–	(21,614)	–	(21,614)
Other expenses				(2,298)
Net income before the undernoted				80,307
Net fair value losses of investment properties	(4,014)	(912)	(432)	(5,358)
Net fair value losses of derivatives financial instruments				(174)
Total return before income tax				74,775
Income tax benefit/(expenses)	1,020	155	(75)	1,100
Total return after income tax				75,875
Assets				
Segment assets including properties	1,371,979	55,942	10,853	1,438,774
Total assets				1,438,774

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

28. Financial information by operating segments (continued)

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

	Indonesia S\$'000	Singapore S\$'000	South Korea S\$'000	Total S\$'000
2017				
Profit or loss reconciliation				
Rental and other income	106,239	3,836	918	110,993
Impairment allowance on trade receivables	–	–	(228)	(228)
Net property income	105,535	3,390	551	109,476
Interest income	1,352	77	–	1,429
Manager's management fees				(10,877)
Trustee fees				(405)
Finance costs	–	(17,818)	–	(17,818)
Other expenses				(1,056)
Net income before the undernoted				80,749
Net fair value gains of investment properties	14,936	(1,423)	(146)	13,367
Net fair value losses of derivatives financial instruments				(558)
Total return before income tax				93,558
Income tax (expense)/benefit	(20,283)	242	(79)	(20,120)
Total return after income tax				73,438
Assets				
Segment assets including properties	1,368,897	45,467	9,483	1,423,847
Total assets				1,423,847

Incomes 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).

Income from the Group's top one and top two customers in Indonesia amounted to S\$97,128,000 and S\$111,583,000 respectively (2017: S\$91,957,000 and S\$106,240,000).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

29. 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:

	2018 S\$'000	2017 S\$'000
Commitments in relation to Siloam Hospitals Surabaya	<u>63,000</u>	<u>63,000</u>

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 ("**Lippo Karawaci**")) 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 Lippo Karawaci'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 Lippo Karawaci's 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 Lippo Karawaci's. 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.

In 2017, the second progress payment of S\$9 million was 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 2018

30. 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 (assuming no renewal of option for extension) are as follows:

	Group		Trust	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
Not later than one year	116,258	116,533	3,991	3,927
Later than one year and not later than five years	401,312	434,769	16,778	16,509
More than five years	332,937	420,698	10,443	14,812

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\$1,400,000 (2017: S\$1,372,000) for rental income from one of the Singapore properties.

31. Financial instruments: information on financial risks

31A. 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	
	2018 S\$'000	2017 S\$'000	2018 S\$'000	2017 S\$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	87,184	68,758	79,468	69,991
Financial assets at fair value through profit or loss (FVTPL)	26	–	–	–
At end of the year	87,210	68,758	79,468	69,911
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	512,554	494,665	513,595	500,380
Derivatives financial instruments at fair value	435	676	435	676
At end of the year	512,989	495,341	514,030	501,056

Further quantitative disclosures are included throughout these financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

31. Financial instruments: information on financial risks (continued)

31A. Categories of financial assets and liabilities (continued)

The Group's financial assets that were classified as "cash and cash equivalents" and "loans and receivables" under SFRS 39 in previous financial year have been classified as "financial assets at amortised cost" for the current financial year under SFRS 109.

The Group's financial liabilities that were classified as "borrowings measured at amortised cost" and "trade and other payables measured at amortised cost" under SFRS 39 in previous financial year have been classified as "financial liabilities at amortised cost" for the current financial year under SFRS 109.

31B. 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 acceptable market practices.

The Management of the Manager who monitors the procedures reports to the Board of Directors of the Manager.

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.

31C. 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. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

31. Financial instruments: information on financial risks (continued)

31C. Credit risk on financial assets (continued)

Note 20 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

The credit quality of the bank balances using an external or internal credit grading system is as follows:

	Moody's Ratings	
	2018	2017
Bank of East Asia	A3	A3
CIMB Bank Berhad	A3	A3
Oversea-Chinese Banking Corp Ltd	Aa1	Aa1

For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process. There is significant concentration of credit risk on debtors, as the exposure is spread over a small number of counter-parties and debtors.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

31. Financial instruments: information on financial risks (continued)

31D. 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	More than 1 year but less than 5 years S\$'000	Total S\$'000	
Non-derivatives financial liabilities				
<u>Group</u>				
<u>2018:</u>				
Borrowings	125,051	421,711	546,762	
Trade and other payables	16,135	–	16,135	
	141,186	421,711	562,897	
<u>2017:</u>				
Borrowings	213,789	286,096	499,885	
Trade and other payables	18,216	–	18,216	
	232,005	286,096	518,101	
<u>Trust</u>				
<u>2018:</u>				
Borrowings	125,051	421,711	546,762	
Trade and other payables	17,176	–	17,176	
	142,227	421,711	563,938	
<u>2017:</u>				
Borrowings	213,789	286,096	499,885	
Trade and other payables	23,931	–	23,931	
	237,720	286,096	523,816	
	Notional amount S\$'000	Less than 1 year S\$'000	More than 1 year but less than 5 years S\$'000	Total S\$'000
Derivatives financial liabilities				
<u>Group and Trust</u>				
<u>2018:</u>				
Interest rate swaps (net settled)	445,819	(375)	(60)	(435)
<u>2017:</u>				
Interest rate swaps (net settled)	90,815	(164)	(512)	(676)

The remaining contractual maturity of derivatives financial liabilities of the Group and Trust are between 5 months to 17 months (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

31. Financial instruments: information on financial risks (continued)

31D. Liquidity risk – financial liabilities maturity analysis (continued)

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 settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2017: 30 days). 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	
	2018	2017
	S\$'000	S\$'000
Bank facilities:		
Undrawn facilities	3,697	20,429

The undrawn facilities are available for refinancing existing loans, general corporate funding and working capital requirements of the Trust. The facilities expire in 2021.

31E. 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	
	2018	2017
	S\$'000	S\$'000
Financial liabilities:		
Bank loans at floating rates	496,419	350,439
Bank loans at fixed rates	–	126,010
Total at the end of the year	496,419	476,449

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

31. Financial instruments: information on financial risks (continued)

31E. Interest rate risk (continued)

The Trust enters into interest rate swap agreements to manage the interest rate risk exposure arising from bank loans at floating rates (Note 27A).

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

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.

A hypothetical change of 50 basis points (2017: 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
<hr/>		
Group and Trust		
2018		
Borrowings	(2,514)	2,514
Interest rate swaps	1,444	(1,444)
Net (decrease) increase	<u>(1,070)</u>	<u>1,070</u>
2017		
Borrowings	(1,760)	1,760
Interest rate swaps	454	(454)
Net (decrease) increase	<u>(1,306)</u>	<u>1,306</u>

31F. Foreign currency risk

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

	2018 S\$'000	2017 S\$'000
<hr/>		
Group and Trust:		
Financial liabilities:		
US dollars		
Borrowings	<u>18,988</u>	18,608

Sensitivity analysis: A hypothetical 10% (2017: 10%) strengthening in the exchange rate of the functional currency against the US dollar, with all other variables held constant would have a favourable effect on post-tax profit of S\$1,899,000 (2017: S\$1,861,000). 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 2018

32. Events after the end of the reporting year

- a) On 16 January 2019, a final distribution of 2.15 cents per unit was declared totalling S\$17,014,000 in respect of the period from 1 October 2018 to 31 December 2018.
- b) On 21 January 2019, a total of 1,032,000 new units were issued at the issue price of S\$0.9793 per unit to the Manager as partial payment of the base fee component of management fee for the quarter ended 31 December 2018. 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 21 January 2019, a total of 801,000 new units were issued at the issue price of S\$1.3971 per unit to the Manager as payment of 80% of the performance fee component of the management fee for the quarter ended 31 December 2017. 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.

33. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS No.	Title
SFRS 40	Amendments to, Transfer of Investment Property
SFRS 109	Financial Instruments
INT SFRS 122	Foreign Currency Transactions and Advance Consideration

34. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards 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 any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS No.	Title	Effective date for periods beginning on or after
SFRS 116	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)	1 Jan 2019
INT SFRS 123	Uncertainty over Income Tax Treatments	1 Jan 2019
SFRS 12	Improvements (2017) – Amendments: Income Taxes	1 Jan 2019
SFRS 23	Improvements (2017) – Amendments: Borrowing Costs	1 Jan 2019
SFRS 103	Improvements (2017) – Amendments: Business Combinations	1 Jan 2019
SFRS 111	Improvements (2017) – Amendments: Joint Arrangements	1 Jan 2019
SFRS 110 and SFRS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	Not fixed yet

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. 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	
	2018 S\$'000	2017 S\$'000
Held by the Trust		
Gold Capital Pte. Ltd. ^(b)	100,556	100,556
Singapore		
Investment holding		
GOT Pte. Ltd. ^(b)	83,750	84,759
Singapore		
Investment holding		
Henley Investments Pte. Ltd. ^(b)	41,725	42,608
Singapore		
Investment holding		
Kalmore Investments Pte. Ltd. ^(b)	7,966	7,966
Singapore		
Investment holding		
Lovage International Pte. Ltd. ^(b)	12,523	13,648
Singapore		
Investment holding		
Platinum Strategic Investments Pte. Ltd. ^(b)	23,965	25,610
Singapore		
Investment holding		
Primerich Investments Pte. Ltd. ^(b)	33,014	33,153
Singapore		
Investment holding		
Raglan Investments Pte. Ltd. ^(b)	45,904	48,382
Singapore		
Investment holding		
Rhuddlan Investments Pte. Ltd. ^(b)	75,407	77,225
Singapore		
Investment holding		
Globalink Investments Pte. Ltd. ^(b)	77,093	81,071
Singapore		
Investment holding		
Great Capital Pte. Ltd. ^(b)	73,588	77,527
Singapore		
Investment holding		
Finura Investments Pte. Ltd. ^(b)	25,712	27,095
Singapore		
Investment holding		
Sriwijaya Investment I Pte. Ltd. ^(b)	33,458	35,102
Singapore		
Investment holding		

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. Listing of investments in subsidiaries (continued)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2018 S\$'000	2017 S\$'000
<u>Held by the Trust (continued)</u>		
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	70,149	72,610
Icon1 Holdings Pte. Ltd. ^(b) Singapore Investment holding	26,811	27,882
SHLB Investment I Pte. Ltd. ^(b) Singapore Investment holding	19,268	20,052
SHButon Investment I Pte. Ltd. ^(b) Singapore Investment holding	27,843	29,226
	778,734	804,472
<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
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. Listing of investments in subsidiaries (continued)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2018 S\$'000	2017 S\$'000
Held by subsidiaries (continued)		
Sriwijaya Investment II Pte. Ltd. ^(b) Singapore Investment holding	1,722	1,722
SHKP Investment II Pte. Ltd. ^(b) Singapore Investment holding	13,916	13,916
SHLB Investment II Pte. Ltd. ^(b) Singapore Investment holding	1,040	1,040
SHButon Investment II Pte. Ltd. ^(b) Singapore Investment holding	1,442	1,442
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
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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

35. Listing of investments in subsidiaries (continued)

Name of Subsidiaries, Country of Incorporation, Place of Operations and Principal Activities	Carrying Value of Investments	
	2018 S\$'000	2017 S\$'000
<u>Held by subsidiaries (continued)</u>		
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	50,668	50,668
PT Prima Labuan Bajo ^(a) Indonesia Owners of Siloam Hospitals Labuan Bajo	4,160	4,160
PT Buton Bangun Cipta ^(a) Indonesia Owners of Siloam Hospitals Buton & Lippo Plaza Buton	5,768	5,768
<u>Joint operation held by subsidiary, Icon1 Holdings Pte. Ltd.</u>		
PT Yogya Central Terpadu ^(a) (Note A) Indonesia Owners of Siloam Hospitals Yogyakarta	6,615	6,615

(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.

* 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.

Note A

In 2017, the Trust and LMIR Trust after an early termination of joint venture agents entered into a new Joint Venture Deed (the "Deed") to jointly own the Yogyakarta Property through PT Yogya Central Terpadu ("PT YCT") subsequent to the approval of the relevant licenses. Icon1 Holdings Pte. Ltd. ("Icon1") transferred 18,850,000 of its existing Class A shares to Icon2 Investment Pte. Ltd. ("Icon2"). As a result, Icon1 holds 66,150,000,000 Class A shares and Icon2 holds 142,500,000,000 Class B shares in PT YCT. As holders of Class A shares, Icon1 has the exposure to all the economic rights, obligations, revenue, profits and dividends in respect of the hospital component. Icon2 has exposure to all the economic rights, obligations, revenue, profits and dividends in respect of the retail mall component.

Any non-property-related common expenses of the hospital and retail mall component are borne by Icon1 and Icon2 in the proportion of 31% and 69% respectively. All property-related common expenses of the hospital component are borne by Icon1.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year ended 31 December 2018, 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 Scheme (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 unitholders’ mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under unitholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Bowsprit Capital Corporation Limited		
- Manager’s management fees	S\$11,435,000	–
HSBC Institutional Trust Services (Singapore) Limited		
- Trustee fees	S\$ 68,000	–
Perpetual (Asia) Limited		
- Trustee fees	S\$ 359,000	–
PT Lippo Karawaci TBK and Its subsidiaries		
- Rental income	S\$79,610,000	–

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 2018, 6,751,821 new units and 191,788 new units were issued as payment of management fees and acquisition fee. 1,581,810 new units were issued pursuant to the Distribution Reinvestment Plan in the financial year ended 31 December 2018.

STATISTICS OF UNITHOLDINGS

AS AT 4 MARCH 2019

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	284	2.77	12,659	0.00
100 – 1,000	839	8.18	624,429	0.08
1,001 – 10,000	5,489	53.49	29,424,437	3.72
10,001 – 1,000,000	3,622	35.30	168,600,296	21.34
1,000,001 AND ABOVE	27	0.26	591,651,486	74.86
TOTAL	10,261	100.00	790,313,307	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1.	OCBC SECURITIES PRIVATE LIMITED	171,621,660	21.72
2.	UOB KAY HIAN PRIVATE LIMITED	86,410,981	10.93
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	73,692,228	9.32
4.	DBS NOMINEES (PRIVATE) LIMITED	65,414,841	8.28
5.	BOWSPRIT CAPITAL CORPORATION LIMITED	54,680,489	6.92
6.	DB NOMINEES (SINGAPORE) PTE LTD	28,491,525	3.61
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	18,754,519	2.37
8.	RAFFLES NOMINEES (PTE.) LIMITED	17,019,986	2.15
9.	DBSN SERVICES PTE. LTD.	14,872,606	1.88
10.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	10,029,351	1.27
11.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	6,694,739	0.85
12.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	6,502,228	0.82
13.	PHILLIP SECURITIES PTE LTD	6,088,027	0.77
14.	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,214,324	0.66
15.	BPSS NOMINEES SINGAPORE (PTE.) LTD.	4,716,149	0.60
16.	BMT AC ESTATE OF MSE ANGULLIA DECEASED WAKAFF CLAUSE 7 TRUST	2,659,652	0.34
17.	ABN AMRO CLEARING BANK N.V.	2,506,472	0.32
18.	TEH KIU CHEONG @TEONG CHENG @ CHENG CHIU CHANG	2,317,683	0.29
19.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,228,528	0.28
20.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,187,831	0.28
	TOTAL	582,103,819	73.66

STATISTICS OF UNITHOLDINGS

AS AT 4 MARCH 2019

SUBSTANTIAL UNITHOLDERS

(As recorded in the Register of Substantial Unitholders' Unitholdings as at 4 March 2019)

No.	Name of Unitholders	No. of Units Direct Interest	No. of Units Deemed Interest
1.	Bridgewater International Ltd ("BIL")	83,593,684	–
2.	PT Sentra Dwimandiri ("PTSD")	–	83,593,684 ⁽¹⁾
3.	PT Lippo Karawaci Tbk ("PTLK")	–	83,593,684 ⁽²⁾
4.	PT Inti Anugerah Pratama ("PT IAP")	–	83,593,684 ⁽²⁾
5.	Fullerton Capital Limited ("Fullerton")	–	83,593,684 ⁽²⁾
6.	Sinovex Limited ("Sinovex")	–	83,593,684 ⁽²⁾
7.	Bowsprit Capital Corporation Limited ("Bowsprit")	58,680,489	–
8.	OLH Healthcare Investments Pte. Ltd. ("OHI")	83,593,683	–
9.	OUELH (Singapore) Pte. Ltd. ("OUELH (Singapore)")	–	83,593,683 ⁽³⁾
10.	OUELH (SEA) Pte. Ltd. ("OUELH (SEA)")	–	83,593,683 ⁽³⁾
11.	OUE Lippo Healthcare Limited ("OUELH")	–	142,274,172 ⁽³⁾⁽⁴⁾
12.	OUE Limited ("OUE")	–	142,274,172 ⁽³⁾⁽⁴⁾
13.	OUE Realty Pte. Ltd. ("OUER")	–	142,274,172 ⁽⁵⁾
14.	Golden Concord Asia Limited ("GCAL")	–	142,274,172 ⁽⁶⁾
15.	Fortune Code Limited ("FCL")	–	142,274,172 ⁽⁷⁾
16.	Lippo ASM Asia Property Limited ("LAAPL")	–	142,274,172 ⁽⁸⁾
17.	Pacific Landmark Holdings Limited ("Pacific Landmark")	–	142,274,172 ⁽⁹⁾
18.	HKC Property Investment Holdings Limited ("HKC Property")	–	142,274,172 ⁽¹⁰⁾
19.	Hongkong Chinese Limited ("HCL")	–	142,274,172 ⁽¹¹⁾
20.	Hennessy Holdings Limited ("Hennessy")	–	142,274,172 ⁽¹²⁾
21.	Prime Success Limited ("PSL")	–	142,274,172 ⁽¹³⁾
22.	Lippo Limited ("LL")	–	142,274,172 ⁽¹⁴⁾
23.	Lippo Capital Limited ("LCL")	–	142,274,172 ⁽¹⁵⁾
24.	Lippo Capital Holdings Company Limited ("LCH")	–	142,274,172 ⁽¹⁶⁾
25.	Lippo Capital Group Limited ("LCG")	–	142,274,172 ⁽¹⁷⁾
26.	Admiralty Station Management Limited ("Admiralty")	–	142,274,172 ⁽¹⁸⁾
27.	Argyle Street Management Limited ("ASML")	–	142,274,172 ⁽¹⁹⁾
28.	Argyle Street Management Holdings Limited ("ASMHL")	–	142,274,172 ⁽²⁰⁾
29.	Kin Chan	–	142,274,172 ⁽²¹⁾
30.	V-Nee Yeh	–	142,274,172 ⁽²²⁾
31.	PT Trijaya Utama Mandiri ("PT TUM")	–	225,867,856 ⁽²³⁾
32.	James Tjahaja Riady	–	225,867,856 ⁽²³⁾
33.	Stephen Riady	–	225,867,856 ⁽²⁾⁽²⁴⁾

Notes:

- BIL is 99.98% directly owned by PTSD. Accordingly, PTSD is deemed to be interested in BIL's interest in the Units.
- Sinovex holds 99% interest and Dr Stephen Riady holds the remaining 1% interest in Fullerton which holds 40% interest in PT IAP. PT IAP holds 45.83% interest in PTLK. BIL is indirectly wholly owned subsidiary of PTLK. Accordingly, each of Dr Stephen Riady, Sinovex, Fullerton, PT IAP and PTLK has a deemed interest in BIL's interest in the Units.
- OHI is 100% owned by OUELH (Singapore). OUELH (Singapore) is 100% owned by OUELH (SEA). OUELH (SEA) is 100% owned by OUELH. OUELH is an indirect subsidiary of OUE. Accordingly, each of OUE, OUELH, OUELH (SEA) and OUELH (Singapore) is deemed to be interested in OHI's interest in the Units.
- Bowsprit is 40% directly held by OUELH and 60% directly held by OUE. Accordingly, each of OUELH and OUE has a deemed interest in Bowsprit's interest in the Units.
- OUER is the holding company of OUE and has a deemed interest in the Units in which OUE has a deemed interest.

STATISTICS OF UNITHOLDINGS

AS AT 4 MARCH 2019

SUBSTANTIAL UNITHOLDERS (continued)

(As recorded in the Register of Substantial Unitholders' Unitholdings as at 4 March 2019)

6. GCAL is the holding company of OUER and has a deemed interest in the Units in which OUER has a deemed interest.
7. FCL is the holding company of GCAL and has a deemed interest in the Units in which GCAL has a deemed interest.
8. LAAPL is the holding company of FCL and has a deemed interest in the Units in which FCL has a deemed interest.
9. LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Pacific Landmark is deemed to have an interest in the Units in which LAAPL has a deemed interest.
10. HKC Property is the holding company of Pacific Landmark. Accordingly, HKC Property is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
11. HCL is an intermediate holding company of Pacific Landmark. Accordingly, HCL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
12. Hennessy is an intermediate holding company of Pacific Landmark. Accordingly, Hennessy is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
13. PSL is an intermediate holding company of Pacific Landmark. Accordingly, PSL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
14. LL is an intermediate holding company of Pacific Landmark. Accordingly, LL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
15. LCL is an intermediate holding company of Pacific Landmark. Accordingly, LCL is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
16. LCH is an intermediate holding company of Pacific Landmark. Accordingly, LCH is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
17. LCG is the holding company of LCH, which in turn is an intermediate holding company of Pacific Landmark. Accordingly, LCG is deemed to have an interest in the Units in which Pacific Landmark has a deemed interest.
18. LAAPL is jointly held by Pacific Landmark and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Units in which LAAPL has a deemed interest.
19. ASML owns 100% of the voting shares in the capital of Admiralty. Accordingly, ASML is deemed to have an interest in the Units in which Admiralty has a deemed interest.
20. ASMHL is the holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the Units in which ASML has a deemed interest.
21. Kin Chan is the beneficial owner of more than 20% of the issued share capital of ASMHL. Accordingly, Kin Chan is deemed to have an interest in the Units in which ASMHL has a deemed interest.
22. V-Nee Yeh is the beneficial owner of more than 20% of the issued share capital of ASMHL. Accordingly, V-Nee Yeh is deemed to have an interest in the Units in which ASMHL has a deemed interest.
23. Mr James Tjahaja Riady effectively holds all the shares in PT TUM which holds 60% interest in PT IAP. PT TUM holds more than 20% of the shares in LCL which in turn is an intermediate holding company of Pacific Landmark. Accordingly, each of Mr James Tjahaja Riady and PT TUM are deemed to be interested in (i) BIL's interest in the Units; and (ii) LCL's deemed interest in the Units.
24. Dr Stephen Riady holds 100% interest in LCG. Accordingly, Dr Stephen Riady has a deemed interest in LCG's deemed interest in the Units.

STATISTICS OF UNITHOLDINGS

AS AT 4 MARCH 2019

MANAGER'S DIRECTORS' UNITHOLDINGS

(As recorded in the Register of Directors' Unitholdings as at 21 January 2019)

	No. of Units Direct Interest	No. of Units Deemed Interest
1. Tan Kok Mian Victor	52,569	–

FREE FLOAT

Based on the information made available to the Manager as at 4 March 2019, approximately 71.41% 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.

TREASURY UNITS AND SUBSIDIARY HOLDINGS

As at 4 March 2019, First REIT does not hold any treasury units and there is no subsidiary holding.

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 Tenth 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 111, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Tuesday, 9 April 2019 at 2:30 p.m. to transact the following business:

(A) AS ORDINARY BUSINESS

- | | |
|---|--------------------------------|
| 1. To receive and adopt the Statement of Perpetual (Asia) 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 2018 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) |
| <p>(a) (i) issue units in First REIT (“Units”) whether by way of rights, bonus or otherwise; and/or</p> <p>(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,</p> <p style="padding-left: 40px;">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</p> <p>(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),</p> | |

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 (a) 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)

4. That:

- (a) approval be and is hereby given to amend the Trust Deed to amend the time period permitted for the payment of distributions by First REIT from 60 days after each Distribution Calculation Date (as defined in the Trust Deed) to 90 days in the manner set out in Annex A of the appendix to the Notice of Annual General Meeting (the "**Appendix**") dated 15 March 2019 (the "**Proposed Distribution Date Trust Deed Supplement**"); and

**(Extraordinary
Resolution 4)**

NOTICE OF ANNUAL GENERAL MEETING

- (b) 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 interests of First REIT to give effect to the Proposed Distribution Date Trust Deed Supplement.

(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
Company Secretary
Singapore

15 March 2019

Explanatory Note:

Ordinary Resolution 3

Resolution 3 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.

Extraordinary Resolution 4

Extraordinary Resolution 4, if passed, will approve the Proposed Distribution Date Trust Deed Supplement.

(See the Appendix in relation to the Proposed Distribution Date Trust Deed Supplement for further details.)

NOTICE OF ANNUAL GENERAL MEETING

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 (the "**Act**"), in respect of Units purchased under the subsidiary legislation made under the 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.
 4. A corporation, being a Unitholder, may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

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 (or its agents) 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 15 March 2019.

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 Tenth Annual General Meeting (the "**Meeting**") of Unitholders of First REIT to be held at Mandarin Ballroom 111, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Tuesday, 9 April 2019 at 2:30 p.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.	Resolutions	No. of votes 'For'	No. of votes 'Against'
ORDINARY BUSINESS			
1	To receive and adopt the Statement of the Trustee, the Statement by the Manager, the Audited Financial Statements of First REIT for the financial year ended 31 December 2018 and the Auditors' Report thereon (Ordinary Resolution)		
2	To re-appoint RSM Chio Lim LLP as Auditors of First REIT and to authorise the Manager to fix the Auditors' remuneration (Ordinary Resolution)		
SPECIAL BUSINESS			
3	To authorise the Manager to issue new Units and to make or grant convertible instruments (Ordinary Resolution)		
4	To approve the Proposed Distribution Date Trust Deed Supplement (Extraordinary Resolution)		

* 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 _____ 2019

Total number of Units held:

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

1st fold here for sealing

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 (the "**Act**"), in respect of Units purchased under the subsidiary legislation made under the 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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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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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. A corporation, being a Unitholder, may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Meeting and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
7. Completion and return of this Proxy Form 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 Proxy Form to the Meeting.
8. 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.
9. All Unitholders will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
10. 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.



www.first-reit.com

Managed by:

Bowsprit Capital

BOWSPRIT CAPITAL CORPORATION LIMITED

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In line with First REIT's commitment to sustainability, this annual report has been printed on paper with a high recycled content.