

# FIRST REIT

## FIRST REAL ESTATE INVESTMENT TRUST

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

28 December 2020

Dear Unitholder,

### Letter from Chairman of the Independent Board Committee

Thank you for your invaluable support for First REIT. Since the listing of First REIT, the Board and management of First REIT Management Limited, as manager of First REIT (the "**Manager**"), have been committed to enhancing Unitholder value and generating stable dividends and returns for Unitholders. Unfortunately, First REIT is now facing a confluence of challenges as follows which require an immediate and resolute response:

- the financial stress facing PT Lippo Karawaci Tbk ("**LPKR**") and its ability to honour its obligations under the master lease agreements ("**MLAs**") with First REIT in view of the significant changes in the Indonesian economic and operating environment;
- imminent refinancing pressure, with approximately S\$196.6 million of debt due on 1 March 2021, representing approximately 39.8% of the total debt of First REIT; and
- the initial term of the master lease agreements in respect of Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk and Siloam Hospitals Lippo Village will expire in December 2021.

Given these challenges, First REIT urgently needs to (i) restructure the MLAs for all of the hospitals which First REIT had leased to either LPKR or LPKR and certain subsidiaries of PT Siloam International Hospitals Tbk (the "**LPKR Hospitals**", and the MLAs for all of the LPKR Hospitals, the "**LPKR MLAs**", and the proposed restructuring of the LPKR MLAs, "**Proposed LPKR MLA Restructuring**") to ensure their long-term sustainability, (ii) recapitalise with a rights issue to strengthen its financial position, and (iii) refinance its bank loans to avoid defaulting on its debt repayment due on 1 March 2021.

### Restructuring the LPKR MLAs

On 1 June 2020, LPKR unilaterally announced its intention to restructure all of the LPKR MLAs. This announcement was followed by First REIT's receipt of a non-binding rental restructuring proposal from LPKR in respect of the LPKR MLAs on 20 September 2020. The LPKR Hospitals account for approximately 72.1% of First REIT's rental income and other income for the financial year ended 31 December 2019.

As a result, an independent board committee ("**IBC**") which I now lead, was set up to carefully consider and evaluate the non-binding proposal by LPKR. We appointed Merrill Lynch (Singapore) Pte. Ltd. as financial adviser to the Manager in connection with the Proposed LPKR MLA Restructuring. The IBC subsequently entered into negotiations with LPKR, which has culminated in the signing of a memorandum of understanding between Perpetual (Asia) Limited, as trustee of First REIT, and LPKR in respect of, among other things, the Proposed LPKR MLA Restructuring.

From our discussions with LPKR, we understand that it is facing significant liquidity pressure and without the Proposed LPKR MLA Restructuring, there is a real risk and high probability that it would default under the existing LPKR MLAs. A default by LPKR may have adverse consequences on First REIT, which may include the following, among others, (i) an immediate loss of approximately 72.1% of First REIT's rental income; (ii) breaches in First REIT's debt covenants, and (iii) an impairment of First REIT's ability to execute any refinancing and meet its repayment obligations.

### Recapitalising First REIT

First REIT's lenders have expressed significant concerns over the sustainability of First REIT's capital structure in light of the financial circumstances of LPKR and its expressed intention to restructure the LPKR MLAs.

First REIT currently faces a significant refinancing hurdle, with approximately 80.2% (or approximately S\$395.7 million) of its debt coming due within the next 18 months. In order to meet First REIT's debt obligations, we have negotiated with lenders to refinance our existing S\$400 million secured loan facilities with a new S\$260 million loan facility. This refinancing is conditional upon an equity fund raising of S\$140 million ("**Proposed Rights Issue**") for the purpose of partial repayment of the S\$400 million loan.

Thankfully, despite difficulties in finding a financial institution which will commit to underwriting the Proposed Rights Issue given the uncertainty involved, the sponsor group of First REIT, OUE Limited ("**OUE**"), has provided an irrevocable undertaking to backstop the entire Proposed Rights Issue and demonstrate its confidence and commitment to First REIT.

The Proposed Rights Issue is critical for First REIT. The Proposed Rights Issue is required to repay the S\$140 million difference between the amount of S\$400 million under the existing secured loan facilities mentioned above and the new S\$260 million loan facility mentioned above. However, the viability of the Proposed Rights Issue is dependent on the Manager being able to provide certainty in respect of the valuations and cash flows of First REIT's assets through the Proposed LPKR MLA Restructuring, as Unitholders as well as other stakeholders of First REIT rely on First REIT's valuations and visibility on future cash flows in order to evaluate First REIT and make decisions regarding First REIT. Hence, the Proposed LPKR MLA Restructuring is necessary to enable the Manager to proceed with the Proposed Rights Issue.

### Approvals Required – Imperative for Unitholders to Support Both Resolutions 1 and 2

At the upcoming extraordinary general meeting ("**EGM**"), First REIT will be tabling the following resolutions for approval:

- **Resolution 1:** The Proposed LPKR MLA Restructuring (Ordinary Resolution); and

- **Resolution 2:** the proposed waiver by Unitholders other than Clifford Development Pte. Ltd. (“**CDPL**”), which is a direct wholly-owned subsidiary of OUE Limited (“**OUE**”), and its concert parties (as defined in The Singapore Code on Take-overs and Mergers (the “**Takeover Code**”)) (the “**Independent Unitholders**”) of their rights to receive a general offer for their Units from CDPL pursuant to Rule 14 of the Takeover Code (the “**Proposed Whitewash Resolution**”) (Ordinary Resolution).

Resolution 1 will be required to effect the Proposed LPKR MLA Restructuring and Resolution 2 is required in order for OUE to backstop the Proposed Rights Issue. **The Manager will not launch the Proposed Rights Issue unless Resolution 1 is passed. In the event that Resolution 2 is not passed, the Manager will not launch the Proposed Rights Issue unless it is able to arrange for the Proposed Rights Issue to be underwritten.**

We are at a critical juncture for First REIT. If we do not achieve the support required, and if both Resolutions are not passed, we are afraid that First REIT will not have time nor sufficient funding to explore alternative options. In these circumstances, First REIT will have to face the dire consequences of a default.

Additional details on the rationale for the Proposed LPKR MLA Restructuring and the Proposed Whitewash Resolution are available in the Circular to Unitholders dated 28 December 2020 which is published on First REIT’s website at the URL [https://www.first-reit.com/ir\\_egm.html](https://www.first-reit.com/ir_egm.html).

### **Repositioning First REIT for the Future – Effecting a Sustainable Master Lease Structure and Capital Structure**

Our immediate priority is to focus on stabilising First REIT. The Proposed LPKR MLA Restructuring will result in a sustainable and stable long-term master lease structure and will allow First REIT to recapitalise and form the foundations to deliver long-term returns with potential upside sharing for Unitholders.

Our objective remains focused on growing Unitholder value but we need your support today to vote and approve both Resolutions that will allow First REIT to emerge from its current challenges restructured, recapitalised and repositioned for the future. The future of First REIT is dependent on your support. My fellow IBC members and I urge you to vote in favour of the Resolutions and secure a sustainable path for First REIT.

Yours faithfully,

For and on behalf of the Independent Board Committee

Adrian Chan  
Chairman, Independent Board Committee  
First REIT Management Limited  
(Company registration no. 200607070D)  
As Manager of First Real Estate Investment Trust

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Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager’s current view on future events.

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There will be no public offering of the securities referred to herein in the United States.

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

Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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

This advertisement has not been reviewed by the Monetary Authority of Singapore.

### **Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore**

The new Units are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).