



FIRST REAL ESTATE INVESTMENT TRUST

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

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## RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM UNITHOLDERS

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1. **Background.** The Board of Directors (the “**Board**”) of First REIT Management Limited, in its capacity as manager of First Real Estate Investment Trust (“**First REIT**”, and the manager of First REIT, the “**Manager**”), refers to:
  - (a) the annual report of First REIT for the financial year ended 31 December 2021;
  - (b) the notice of annual general meeting (“**AGM**”) issued on 1 April 2022 informing unitholders that the Twelfth AGM of First REIT will be convened and held by way of electronic means on Monday, 25 April 2022 at 2:00 p.m. (Singapore Time); and
  - (c) the accompanying announcement issued by the Manager on 1 April 2022 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.
  
2. **Response to questions from unitholders.** The Manager would like to thank unitholders for submitting their questions in advance of First REIT’s AGM. The Manager would like to inform that the responses to all substantial and relevant questions which have been submitted by unitholders shall be published in this announcement. Please refer to **Annex A** hereto for the list of substantial and relevant questions received from unitholders, and the Management and the Board’s responses to these questions.

By Order of the Board

Tan Kok Mian Victor  
Executive Director and Chief Executive Officer  
First REIT Management Limited  
(As Manager of First REIT)

19 April 2022

## ANNEX A

### RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Questions	Responses
<p>1) From the Annual Report I understand that the rental exposure to PT Lippo Karawaci Tbk Group as at 31 December 2021 is 89.5%. What are your plans to move away from such a large exposure to them? What are your current plans to seek more exposure to rentals from third parties?</p>	<p>In FY 2021, 89.5% of First REIT’s rental income is attributable to both PT Lippo Karawaci Tbk and its subsidiaries (“<b>LPKR</b>”), as well as PT Siloam International Hospitals Tbk and its subsidiaries (“<b>Siloam</b>”), in aggregate; rental income solely contributed by LPKR is approximately 54% in FY 2021. As at 31 December 2021, LPKR has a 55.4% stake in Siloam.</p>
<p>2) With the latest yield accretive acquisition of Japan Nursing Home assets, why is the distribution per unit only increase very marginally? Is the acquisition a "done deal" that has to be executed for the asset/country diversification purposes?</p>	<p>Indeed, one of the growth pillars within the First REIT 2.0 Growth Strategy is to diversify into mature and developed markets and we aim to increase our exposure in developed markets to greater than 50% of the Trust’s portfolio in 3-5 years.</p> <p>The acquisition of the 12 nursing homes in Japan was completed in March 2022, a first step towards diversifying into developed markets. Consequently, First REIT’s geographical footprint in developed markets, being Singapore and Japan, has increased to 25.8% from 3.4% as at 31 December 2021 on a pro forma basis. First REIT’s geographical risk profile has since improved, competitively positioning it against its peers.</p>
<p>3) I understand that the current portfolio weightage of properties located in Indonesia is 74.2% and you are looking to bring the exposure down to 50% within 3 to 5 years. How do you plan to do that? Are you intending to sell some of your Indonesian properties and use the funds to invest elsewhere? I hope the management does also look at this asset recycling option rather than focusing on enlarging the assets under management and financing that expansion through rights issue and private placements.</p>	<p>At its core, First REIT’s diversification strategy is two-pronged. On one hand, we are guided by seeking yield-accretive assets that can maximise returns to our unitholders in the long run, either through the sponsor’s healthcare network, or third-party assets. On the other, another key pillar within the 2.0 Growth Strategy looks to reshape First REIT’s portfolio for capital efficient growth, where we look to recycle assets and capital from non-core assets.</p> <p>The Manager has pursued asset recycling through the divestment of Sarang Hospital, the South Korea rehabilitative hospital, back in August 2021. At present, we are looking to divest the Imperial Aryaduta Hotel &amp; Country Club as well, a hospitality asset that the Manager has identified as being non-core to the Trust.</p> <p>We will continue to harness this two-pronged strategy to pursue growth and value for unitholders.</p>

Questions	Responses
<p>4) Unlike before, you will now be receiving a sizeable portion of your rental income in Indonesian Rupiah, while your loan commitments will predominantly be in Singapore Dollars. Considering the historic weakness of the Indonesian Rupiah, what steps (i.e. hedging and otherwise) have the management taken to mitigate the foreign exchange risks.</p> <p>5) Can you share when exactly will the annual rental increase of approximately 4% kicks in this year? Will it be reflected immediately in the coming quarter financial results?</p>	<p>Following the completion of First REIT’s strategic initiatives to restructure, recapitalise and reposition the Trust for sustainable future growth, the rentals prescribed within the tripartite master lease agreements (the “<b>Affected MLAs</b>”) of the affected Indonesian hospital properties (the “<b>Affected Properties</b>”) have a built-in 4.5% rental escalation that has been calibrated against historical inflation rates over wide range of time periods and also takes into account the foreign exchange risk associated with receiving rentals in Indonesia Rupiah.</p> <p>For the Affected MLAs, the annual rental increase of 4.5% of the affected property’s base rent kicks in on the 1<sup>st</sup> of October of each year, since 1 October 2021.</p> <p>Additionally, the increased exposure to Japan will help reduce the Trust’s exposure to currency volatility from the Indonesia Rupiah, given that both currencies tend to be inversely correlated. Notwithstanding this, the Indonesia Rupiah currency has been relatively stable against the Singapore dollar over the last two years.</p> <p>The Manager will continue to assess the need to employ additional hedging strategies from time to time.</p>
<p>6) As per Note 11 to the financial statements, the interest rate for the term loan maturing in 2022 is within the range of 2.23% to 2.38%. You seem to be intending to issue a bond at the interest rate of 3.2% to replace this maturing loan. You seem to be committing to a much higher interest rate. Couldn’t you have tried negotiating instead for a term loan, which you might have obtained at a better rate than the 3.2%? I would be grateful if you could provide us more insight in relation to this re-financing decision.</p> <p>7) First REIT refinanced S\$100 million loan with a social bond with a borrowing rate of 3.25%. What was the previous borrowing rate of this S\$100 million loan before refinancing? Is there any upper limit set on the total quantum of social bond that First REIT can issue subsequently by Credit Guarantee and Investment Facility? Any plans to issue social bond denominated in Japanese yen as the borrowing rate is lower than 3.25%?</p>	<p>The previous borrowing rate of the S\$100 million syndicated loan facility was 2.23%—2.38% for FY2021.</p> <p>In view of global events, the interest rate environment has changed substantially since May 2019 when the S\$100 million loan facility was obtained. A re-financing of this maturing loan by way of a new bank facility will likely also incur higher interest cost compared to the maturing loan.</p> <p>The issuance of the S\$100 million credit-wrapped social bond (the “<b>Social Bond</b>”) is backed by the Asian Development Bank’s Credit Guarantee and Investment Facility (“<b>CGIF</b>”), bearing a strong AA-rating. This has allowed First REIT to strengthen its capital structure by diversifying its funding sources. Further, with the launch of its Social Financing Framework, First REIT has a new channel to raise new loans and bonds tied to social outcomes.</p> <p>As at 31 December 2021 and following the completion of the acquisition of the Japan nursing homes, First REIT’s weighted average cost of debt (“<b>WACD</b>”) has reduced from 4.2% to 3.4% on a pro forma basis.</p>

Questions	Responses
<p>8) As per Note 17, you have provided rental rebates of about S\$699,000 in 2021. As of now in 2022, have you received any further requests for rental rebates and have you committed to any such rebates.</p> <p>9) Are we still giving any tenant support or tenant relief? If so, when will these tenant support or tenant relief cease?</p>	<p>No, we have not received any other further requests for rental rebates, nor have we committed to any further rebates.</p>
<p>10) Please elaborate on Indonesia and Japan's reopening status, are the borders of Indonesia and Japan fully opened, or are they only opened selectively? Is work from home still the norm in Indonesia and Japan or is it back to work from the office?</p> <p>11) How is the COVID situation in Japan and Indonesia?</p>	<p>Indonesia has eased its social restrictions at the start of Ramadan following improvements in the national COVID-19 situation and has opened its borders to fully-vaccinated travellers and lifted all quarantine requirements for overseas visitors.</p> <p>Japan recently increased its number of entry from non-tourists into its country from 7,000 to 10,000 people per day. It has not opened its borders to tourists and working from a home was not a norm in Japan.</p>
<p>12) How will the end of COVID or living with COVID impact our business? Will the end of COVID mean lesser demand for our hospitals?</p>	<p>Our nursing homes have seen limited impact from the COVID-19 pandemic as our residents continued to remain in the homes with limited visiting hours during the pandemic period.</p> <p>According to World Bank data, Indonesia has amongst the lowest hospital beds to people ratios within ASEAN countries. With the recovering pandemic situation, PT Siloam International Hospitals Tbk ("<b>Siloam</b>"), the Indonesia hospital operator, also showed significant improvement in its performance, as reflected in its FY2021 results. The Indonesian hospital operator registered a strong performance across all hospitals in FY2021 (Link: <a href="#">here</a>):</p> <ul style="list-style-type: none"> <li>• Revenue of Rp7.64 trillion, reflecting a 33% year-on-year ("<b>y-o-y</b>") increase;</li> <li>• EBITDA of Rp1.96 trillion, reflecting a 64% y-o-y increase;</li> <li>• EBITDA margin of 26% in FY2021, from 22% in FY2020; and</li> <li>• Net Profit of Rp700 billion, reflecting a 459% y-o-y increase.</li> </ul>
<p>13) For future years, can the management try either to arrange for a hybrid AGM or a full physical attendance AGM? This will ensure a more active participation by shareholders and also active interaction between the shareholders and the management,</p>	<p>Due to the ongoing COVID-19 pandemic situation in Singapore and after giving due consideration to health and safety, the forthcoming AGM to be held on 25 April 2022 will be conducted virtually to minimise physical interactions. While we understand that unitholders are keen to attend and participate in physical meetings again with the Board and management, our top priority is the health and safety of unitholders, the Board of Directors, our employees and other stakeholders who would be involved in the AGM. As the</p>

Questions	Responses
<p>which I am sure will be beneficial for all parties involved.</p>	<p>COVID-19 situation in Singapore continues to evolve, a decision regarding next year's AGM will be made in due course.</p> <p>The Manager is also looking to engage unitholders across different platforms in time to come, be it through symposiums or events; we will keep unitholders duly informed of such events, and when there are further developments.</p>

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