

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

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS AND LINK
TO RECORDING OF VIRTUAL INFORMATION SESSION**

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 as manager of First REIT, the “**Manager**”), refers to:
 - (a) the circular to holders of units in First REIT (“**Units**”, and holders of Units, “**Unitholders**”) dated 30 June 2022 (the “**Circular**”) in relation to the proposed divestment by Primerich Investments Pte. Ltd. and Surabaya Hospitals Investment Pte. Ltd. to PT Siloam International Hospitals Tbk (“**Siloam**”) and PT Megapratama Karya Bersama of 100.0% of the issued and paid-up share capital of PT Tata Prima Indah (“**PT TPI**”, and 100.0% of the issued and paid-up share capital of PT TPI, the “**Sale Shares**”), which owns a 100.0% interest in Siloam Hospitals Surabaya, for a divestment consideration of Rp.430.0 billion (approximately S\$40.9 million¹) (subject to post-completion adjustments) (the “**Proposed Divestment**”);
 - (b) the notice of extraordinary general meeting (“**EGM**”) dated 30 June 2022 notifying Unitholders of the EGM to be convened and held by way of electronic means on Monday, 25 July 2022 at 2:30 p.m. (Singapore time); and
 - (c) the announcement released by the Manager on 30 June 2022 titled “Extraordinary General Meeting of Unitholders to be held on 25 July 2022” setting out, among others, the alternative arrangements which have been put in place to allow Unitholders to participate at the EGM.
2. **Responses to substantial and relevant questions from Unitholders.** The Manager would like to thank Unitholders for submitting their questions in advance of First REIT’s EGM. The Manager would like to inform that a list of all substantial and relevant questions which have been received from Unitholders prior to the closing date and time for submission of questions and the management’s and the Board’s responses to these questions are set out in **Annex A** of this announcement.
3. **Recording of virtual information session.** The Manager would also like to thank Unitholders for attending the virtual information session in relation to the Proposed Divestment on Wednesday, 13 July 2022 (the “**Virtual Information Session**”). Unitholders may access a recording of the Virtual Information Session at https://www.first-reit.com/ir_egm.html.

¹ For illustrative purposes, certain Indonesia rupiah amounts have been translated into Singapore dollars. Unless otherwise indicated, such translations have been made based on the illustrative exchange rate of S\$1.00 = Rp.10,526.

By Order of the Board

Tan Kok Mian Victor
Executive Director and Chief Executive Officer
First REIT Management Limited
(Company registration no. 200607070D)
As Manager of First Real Estate Investment Trust

18 July 2022

ANNEX A

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

For further details on the Proposed Divestment, please refer to the Circular to Unitholders dated 30 June 2022 in relation to the Proposed Divestment. Capitalised terms used herein, unless otherwise defined, shall have the meanings ascribed to them in the Circular.

Questions	Responses
Transaction overview	
<ol style="list-style-type: none"> 1. How will the divestment benefit shareholders? 2. What are the strategies related to this divestment? 3. What are the expected benefits and risks with this divestment? 4. What is the reason for proposed divestment, and what are material impact to First Reit unit holders? 5. What is the main purpose of this divestment? 	<p>The Proposed Divestment is in alignment with “First REIT 2.0 Growth Strategy” to reshape the portfolio of First REIT for capital efficient growth. It is an opportunity to recycle a mature asset that was constructed in 1977, instead of taking on excessive development risk arising from the Road Subsidence that took place in 2018. The Agreed Property Value of Rp.430.0 billion (approximately S\$40.9 million) represents a 143.2%² gross premium over First REIT’s original purchase consideration of S\$16.8 million.</p> <p>Following further discussions with PT Lippo Karawaci Tbk (“LPKR”), the Manager understands that either LPKR or Siloam intend to continue the development works on the portion of the land adjacent to Siloam Hospitals Surabaya (the “Development Works Site”), a part of which First REIT had sold to PT Saputra Karya (“PT SK”) in connection with the development works to develop a new hospital (the “Development Works”) pursuant to a development works agreement entered into between PT TPI and PT SK on 20 October 2015 (the “Development Works Agreement”) independently (the “New Development Works”).</p> <p>Assuming the completion of the New Development Works, Siloam will likely commence operations within the new healthcare facility, adjacent to the existing Siloam Hospitals Surabaya. The existing Siloam Hospitals Surabaya will therefore likely be vacated by the tenants of the existing Siloam Hospitals Surabaya, in favour of the new healthcare facility. On this basis, the Proposed Divestment is a prudent exit strategy and presents a holistic approach that resolves downstream complications.</p> <p>Following the Proposed Divestment, the weighted average age of property (“WAAP”) ³ for the portfolio of First REIT will improve from 16.2 years to 15.7 years as at 31 December 2021 and on a <i>pro forma</i> basis, including the Japan Nursing Homes.</p>

² The gross premium of 143.2% does not take into account the divestment by First REIT of 2,556 sq m for a consideration of S\$8.2 million on 11 March 2016. Taking into account such divestment of 2,556 sq m for a consideration of S\$8.2 million, the gross premium would be 192.0%.

³ WAAP is computed on a gross floor area basis.

Questions	Responses
<p>6. Given that the sale price is at a mere 0.1% premium to the valuation, has the manager searched and sourced for better offers? If so, please elaborate how many other (potential) buyers the manager talked and negotiated with? And why did these talks and negotiations fail?</p> <p>7. I note that this divestment of property is to Siloam. Has the manager of the REIT considered selling the property to other parties besides its sponsor? If not, why not? Please elaborate.</p> <p>8. Given that this divestment of property is to Siloam (its sponsor), how much effort was expended in the sale process?</p> <p>9. The proposed divestment, as an interested person transaction – is it an arm’s length transaction?</p>	<p>Siloam Hospitals Surabaya is a mature asset that was constructed in 1977 and faced increasing competition from new facilities, as well as existing healthcare competitors with upgraded facilities.</p> <p>As announced previously, First REIT had sold a portion of the land adjacent to Siloam Hospitals Surabaya to PT SK in connection with the Development Works to develop a new hospital, pursuant to the Development Works Agreement. It was intended that First REIT would have received a new healthcare facility by the first long stop date of 28 June 2020.</p> <p>The Road Subsidence that took place on 18 December 2018 along Jalan Gubeng, Surabaya, which is in close proximity to Siloam Hospitals Surabaya, had had a serious impact on the Development Works, which were no longer progressing. Given that the Development Works were no longer progressing, PT TPI had on 29 June 2020 served a termination notice to PT SK to terminate the Development Works Agreement. Accordingly, the desired outcome to swap the aging Siloam Hospitals Surabaya with a new healthcare facility did not materialise.</p> <p>Since the Road Subsidence, the Manager commissioned tax consultants, development and construction-related consultants, legal counsels and valuers to carry out feasibility studies across various fields, to determine the possibility of conducting future construction works on the site should the project be revived.</p> <p>Having concluded the studies and discussions between the stakeholders, it was determined that restarting the development works is a complex matter and though it could result in First REIT receiving a new healthcare facility at a much later time, it consequentially meant that First REIT would incur additional development cost and thereby take on excessive development risk. It was determined that such risk should not be borne by First REIT.</p> <p>Perpetual (Asia) Limited, in its capacity as trustee of First REIT, has commissioned an independent valuer, Cushman & Wakefield VHS Pte. Ltd., in conjunction with KJPP Firman Suryantoro Sugeng Suzy Hartomo & Rekan (“C&W”), and the Manager has commissioned an independent valuer, KJPP Willson & Rekan in association with Knight Frank (“Knight Frank”), and together with C&W, the “Independent Valuers”), to respectively value Siloam Hospitals Surabaya. The agreed property value for Siloam Hospitals Surabaya of Rp.430.0 billion (approximately S\$40.9 million) (the “Agreed Property Value”) was negotiated on a willing-buyer and willing-seller basis with reference to the independent valuations by the Independent Valuers. While the Agreed Property Value represents an approximate 0.1% premium to the average of the two independent valuations of Siloam Hospitals Surabaya of</p>

Questions	Responses
	<p>Rp.429,577,500,000 (approximately S\$40.8 million) as at 31 January 2022, it also represents a 143.2%⁴ gross premium over First REIT’s original purchase consideration of S\$16.8 million.</p> <p>The Divestment Consideration is estimated to be Rp.430.0 billion (approximately S\$40.9 million) (subject to post-completion adjustments) based on the estimated net asset value of PT TPI as at completion of the Proposed Divestment, taking into account the Agreed Property Value.</p> <p>Knight Frank was also commissioned to conduct direct marketing of Siloam Hospitals Surabaya to 37 healthcare players of substantive regional and local presence, as well as presentations or site inspections for prospective buyers. However, none of the 37 healthcare players submitted an offer.</p>
<p>10. I would assume that less effort was expended to search and source for buyers (given it was a sale to an interested party). Given so, shouldn't the sponsor waive and forfeit its divestment fees totally? Please justify why we are still paying the sponsor divestment fees.</p>	<p>Knight Frank was commissioned to conduct direct marketing of Siloam Hospitals Surabaya to 37 healthcare players of substantive regional and local presence, as well as presentations or site inspections for prospective buyers. However, none of the 37 healthcare players submitted an offer.</p> <p>A divestment fee of approximately S\$0.2 million (being 0.5% of the Agreed Property Value) is payable to the Manager for the Proposed Divestment pursuant to the Trust Deed (the “Divestment Fee”). As the Proposed Divestment is an Interested Party Transaction under Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “Property Funds Appendix”), the Divestment Fee will be in the form of Units which shall not be sold within one year of the date of issuance in accordance with Paragraph 5.7 of the Property Funds Appendix.</p>

⁴ The gross premium of 143.2% does not take into account the divestment by First REIT of 2,556 sq m for a consideration of S\$8.2 million on 11 March 2016. Taking into account such divestment of 2,556 sq m for a consideration of S\$8.2 million, the gross premium would be 192.0%.

Questions	Responses
<p>11. How will the board make use of the proceeds from the divestment of Siloam Hospitals Surabaya?</p> <p>12. The divestment represents a gross premium of 143.2%. Does First REIT intend to return part of this capital gains to unitholders?</p> <p>13. Will there be a one-time special dividend payout due to this divestment?</p> <p>14. Also, how much distribution will unitholders receive in this disposal exercise if successful?</p>	<p>The net proceeds from the Proposed Divestment may be used to repay debt, finance any capital expenditure and asset enhancement works and/or general corporate and working requirements, and to distribute as capital gains.</p>
<p>First REIT after Proposed Divestment</p>	
<p>15. After the sale, what are the properties left in First REIT's portfolio?</p>	<p>Apart from Siloam Hospitals Surabaya, as at 30 June 2022, First REIT's portfolio comprised 30 other properties across Asia. These include 15 properties in Indonesia (comprising 11 hospitals, two integrated hospital & malls, one integrated hospital & hotel and one integrated hotel & country club), 12 nursing homes in Japan and three nursing homes in Singapore.</p>
<p>16. How will the Manager turnaround First REIT's business?</p> <p>17. What are the short-, mid- and long-term goals/targets?</p> <p>18. How does the Manager plan to improve the revenue and profitability? Is it to continue the divestment of assets?</p>	<p>In December 2021, First REIT unveiled its 2.0 Growth Strategy anchored on four strategic pillars: diversify into developed markets, reshape portfolio for capital efficient growth, strengthen capital structure to remain resilient and continue to pivot to ride megatrends. First REIT has since embarked on a series of transformative initiatives to build a stable REIT with long-term sustainable returns for Unitholders.</p> <p>In March 2022, the Manager announced the completion of the acquisition from OUE Lippo Healthcare Limited of the Japan Nursing Homes. This was a first step towards diversifying into developed markets, which improved First REIT's geographical diversification by asset value in developed markets, being Singapore and Japan, from 3.4% to 25.8% as at 31 December 2021 on a <i>pro forma</i> basis. Therefore, First REIT's geographical risk profile has improved, competitively positioning it against its peers.</p> <p>In April 2022, in line with "First REIT 2.0 Growth Strategy" to strengthen capital structure and pivot to ride megatrends, we have also successfully priced Singapore's first Credit Guarantee and Investment</p>

Questions	Responses
	<p>Facility (“CGIF”)-guaranteed healthcare social bond. The S\$100 million in aggregate principal amount five-year guaranteed bonds of 3.25% (the “Bonds”) are guaranteed by CGIF, a trust fund of the Asian Development Bank. The Bonds are also aligned with First REIT’s newly established Social Finance Framework, tying financing to achieving specific social benefit outcomes with the United Nations Sustainability Development Goals.</p> <p>To reshape the portfolio for capital efficient growth, strengthen capital structure and allow capital recycling towards higher-growth areas, we have entered into the settlement in respect of the terminated development works adjacent to Siloam Hospitals Surabaya⁵ and we are excited about the Proposed Divestment, which is an opportunity to recycle a mature asset which was constructed in 1977.</p> <p>In the next three to five years, First REIT aims to increase its exposure to developed markets to greater than 50% of its portfolio. At its core, First REIT’s diversification strategy is two-pronged. On one hand, we continue to seek out yield-accretive acquisitions 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 “First REIT 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. At present, we are looking to divest the Imperial Aryaduta Hotel & Country Club as well, a hospitality asset that the Manager has identified as being non-core to First REIT. We will continue to harness this two-pronged strategy to pursue growth and value for Unitholders.</p> <p>In Indonesia, we have also completed the restructuring of master lease agreements for 14 hospitals with a new rental increment mechanism of either an increase of 4.5% of the base rent or the performance-based rent of 8.0% of each relevant hospital’s gross operating revenue of the preceding year, whichever is higher. Additionally, Siloam or a subsidiary of Siloam is a party to each of the 14 restructured master lease agreements to establish the direct payment of part of the rental amounts payable in respect of each of the relevant hospitals by Siloam or the relevant subsidiary of Siloam to the relevant master lessor for each of the relevant hospitals. This contributes to a more stable and steady increase in rental income streams for First REIT in the long-term.</p>

⁵ As defined and described in the circular to Unitholders dated 6 January 2022.

Questions	Responses
<p>19. With the divestment, the DPU would drop from 2.61 to 2.28. Do we expect quarterly distributions to drop by the same percentage?</p> <p>20. What is the projected DPU for 2022/2023?</p> <p>21. Is Management doing anything to increase DPU?</p>	<p>The Manager would note that the <i>pro forma</i> financial effects of the Proposed Divestment presented in paragraph 5 of the Circular are strictly for illustrative purposes only, prepared based on the FY2021 Audited Consolidated Financial Statements.</p> <p>Since listing in December 2006, First REIT has distributed 100% of Distributable Income. We are not able to provide DPU forecasts, but rest assured that First REIT remains committed to providing a stable distribution payout to Unitholders.</p>
<p>22. This divestment would increase our exposure to the Japanese market. It is notable that the Japanese Yen has depreciated a lot in relation to SGD. It is now almost 100 JPY to 1 SGD. Does the company hedge its exposure to the Japanese Yen? How does the company manage its exposure to the Japanese market and Japanese currency?</p> <p>23. Is the REIT concerned that, with this divestment, our increasing exposure to the Japanese market (and weakening Japanese Yen) would dampen and drag down our financial performance and lower returns and dividends for unitholders? How does it intend to address this concern from unitholders? Please elaborate.</p>	<p>A weak Japanese yen against the Singapore dollar is a positive factor, from any acquiror's perspective. Following our maiden entry into the Japan nursing home market announced in December 2021, the Manager continues to actively review prospects within Japan and other mature markets.</p> <p>Although there will be some foreign exchange impact, the impact will be capped because our portfolio in Japan comprises 22.0% of First REIT and its subsidiaries' assets-under-management. As we look to grow our presence in Japan, we are actively looking at the possibility of hedging currency risk with financial derivatives.</p> <p>Since listing in December 2006, First REIT has distributed 100% of Distributable Income. First REIT remains committed to providing a stable distribution payout to our Unitholders.</p>
<p>Siloam Hospitals Surabaya after Proposed Divestment</p>	
<p>24. What does Siloam intend to do with the property? What are Siloam's plans for the property?</p> <p>25. Does Siloam intend to refurbish and spruce up the property, and in a few years' time, sell it back to the REIT?</p>	<p>Following further discussions with LPKR, the Manager understands that either LPKR or Siloam, through its entities or otherwise, intend to continue the development works on the Development Works Site independently.</p> <p>Assuming the completion of the New Development Works, the Manager understands that Siloam will likely commence operations within the new healthcare facility, adjacent to the existing Siloam Hospitals Surabaya.</p>

Questions	Responses
	<p>At this juncture, the Manager is not able to comment on whether the existing Siloam Hospitals Surabaya or any new healthcare facility would be sold back to First REIT and will provide an update to Unitholders as and when there are material developments. First REIT will continue to seek out yield-accretive acquisitions that are in alignment with “First REIT 2.0 Growth Strategy” and in particular, to diversify further into developed and mature healthcare markets.</p>
Miscellaneous	
<p>26. Will First REIT issue rights for new Japanese assets, similar to the rights issue in 2021?</p>	<p>One of the pillars in “First REIT 2.0 Growth Strategy” is to strengthen First REIT’s capital structure through the diversification of funding sources. As at 31 March 2022, First REIT has a total debt of S\$468.9 million⁶ with a gearing ratio of 35.7% and a debt headroom in excess of S\$200 million, assuming a gearing limit of 45.0%. A rights issue, if any, will be carefully considered against other debt and equity funding sources which First REIT has at its disposal. For example, with the launch of its Social Financing Framework in April 2022⁷, First REIT now has a new channel to raise new loans and bonds tied to social outcomes.</p>
<p>27. How much debt is based on floating interest rate expiring between 2023-2028?</p>	<p>On 1 April 2022, First REIT priced S\$100 million in Singapore’s first healthcare social bond at a fixed rate of 3.25%. Apart from this social bond, First REIT’s other borrowings as at 31 March 2022 and expiring between 2023-2028 are with floating interest rates. First REIT will manage interest rate risk on an ongoing basis through regular reviews of the optimal mix of fixed and floating rate borrowings.</p>

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⁶ Total debt net of transaction costs.

⁷ 1 April 2022, First REIT successfully prices Singapore’s first healthcare social bond ([Link to Press Release](#)).

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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.