



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

## ANNOUNCEMENT

### PROPOSED JOINT ACQUISITION

*Unless otherwise indicated in this announcement, all conversions from Rupiah amounts into Singapore Dollar amounts in this announcement are based on an illustrative exchange rate of S\$1.00 to Rp.9,800.*

#### 1. INTRODUCTION

Bowsprit Capital Corporation Limited, in its capacity as manager of First Real Estate Investment Trust ("**First REIT**" and as manager of First REIT, the "**Manager**"), is pleased to announce that First REIT, through a wholly-owned Singapore-incorporated subsidiary, has entered into a joint venture with Lippo Malls Indonesia Retail Trust ("**LMIR Trust**"), through its wholly-owned Singapore-incorporated subsidiary, in connection with the joint acquisition of an integrated development, comprising a hospital component known as "Siloam Hospitals Yogyakarta" ("**SHYG**") and a retail mall component known as "Lippo Plaza Jogja" ("**LPJ**", together with SHYG, the "**Property**", and the acquisition of the Property, the "**Joint Acquisition**"), located at Demangan Subdistrict, Gondokusuman District, Yogyakarta<sup>1</sup>, with postal address Jalan Laksda Adi Sucipto No. 32 – 34, Yogyakarta. The Joint Acquisition and the joint venture with LMIR Trust in connection with the Joint Acquisition pursuant to which First REIT will have exposure to all the economic rights and obligations in respect of SHYG (including the SHYG Master Lease (as defined herein)) and LMIR Trust will have exposure to all the economic rights and obligations in respect of LPJ (including the LPJ Master Leases and the Related Tenancy Agreements) are collectively known as the "**Yogyakarta Transaction**".

For purposes of the Yogyakarta Transaction:

- (i) Icon1 Holdings Pte. Ltd. ("**First REIT SingCo**") is a wholly-owned Singapore-incorporated subsidiary of First REIT. First REIT SingCo has, on 13 October 2017 entered into a joint venture deed ("**JV Deed**") with Icon2 Investments Pte. Ltd. ("**LMIR Trust SingCo**"), which is a wholly-owned Singapore-incorporated subsidiary of LMIR Trust, for the purposes of governing the relationship between First REIT SingCo and LMIR Trust SingCo as shareholders of PT Yogya Central Terpadu ("**Yogyakarta IndoCo**"), a limited liability company incorporated in Indonesia. First REIT SingCo and LMIR Trust SingCo will each hold 100.0% of the Class A ordinary shares ("**Class A Shares**") and 100.0% of the Class B ordinary shares ("**Class B Shares**") in Yogyakarta IndoCo, respectively<sup>2</sup>. At or prior to

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<sup>1</sup> Yogyakarta is also commonly referred to as "Yogya", "Jogjakarta" or "Jogja".

<sup>2</sup> The JV Deed is conditional upon obtaining the approval from the unitholders of First REIT ("**First REIT Unitholders**") and unitholders of LMIR Trust ("**LMIR Trust Unitholders**").

completion of the Yogyakarta Transaction, the Class A Shares will comprise 31.70% of the total issued share capital of the Yogyakarta IndoCo and the Class B Shares will comprise 68.30% of the total issued share capital of the Yogyakarta IndoCo. The Class A Shares and Class B Shares represent the total issued share capital of Yogyakarta IndoCo. Please refer to paragraph 2.2 below for further details of the Class A Shares and Class B Shares.

- (ii) The Yogyakarta IndoCo has on 13 October 2017 entered into a conditional sale and purchase agreement with PT Mulia Citra Abadi (the “**Vendor**”) pursuant to which the Yogyakarta IndoCo propose to acquire the Property from the Vendor (the “**Property CSPA**”).

The Yogyakarta Transaction is structured as set out above because the Manager understands that currently in Yogyakarta there are no regulations permitting the regional government of Yogyakarta to subdivide the Property and issue separate strata titles (*Hak Milik Atas Satuan Rumah Susun* certificate)<sup>3</sup>. Yogyakarta IndoCo will therefore hold the Property under one Right to Build” (*Hak Guna Bangunan* or “**HGB**”) title certificate<sup>4</sup> which will expire on 27 December 2043. Under the JV Deed, First REIT SingCo has agreed to indemnify LMIR Trust SingCo against any and all losses which LMIR Trust SingCo may suffer or incur which arises out of or in connection with SHYG while LMIR Trust SingCo has agreed to indemnify First REIT SingCo against any and all losses which First REIT SingCo may suffer or incur which arises out of or in connection with LPJ. The effect of the JV Deed and the holding of the Class A Shares and Class B Shares is that First REIT will have exposure to all the economic rights and obligations in respect of SHYG through its indirect interest in the Class A Shares, while LMIR Trust will have exposure to all the economic rights and obligations in respect of LPJ through its indirect interest in Class B Shares, as if they had each acquired SHYG and LPJ separately.

The Vendor is a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk, the sponsor of First REIT and LMIR Trust (the “**Sponsor**”).

The purchase consideration of the Property is Rp.834.6 billion (S\$88.1 million)<sup>5,6</sup> (the “**Property Purchase Consideration**”) which comprises:

- (a) the consideration attributable to SHYG of Rp.264.6 billion (S\$27.0 million) (the “**SHYG Purchase Consideration**”); and

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3 In the event that the laws and regulations prevailing in Yogyakarta changes to allow strata titles, the Manager and the LMIR Trust Manager (as defined below) may consider subdividing the Property and having separate strata titles issued in respect of LPJ and SHYG.

4 In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of “leasehold” title and under Indonesian Agrarian Law, the highest title which can be obtained by a company incorporated or located in Indonesia is a “Right to Build” or HGB title. HGB title certificates can only be obtained by an Indonesian citizen, or by a legal entity which is incorporated under Indonesian law and located in Indonesia including foreign capital investment companies. A holder of the HGB title has the right to erect, occupy and use buildings on the parcel of land and sell all or part of such parcel. A HGB title is granted for a maximum initial term of 30 years. By application to the relevant local land office upon the expiration of this initial term, a HGB title may be extended for an additional term not exceeding 20 years.

5 The Purchase Consideration is inclusive of the applicable land and building acquisition expenses (*Biaya Perolehan Hak Atas Tanah dan Bangunan*) to be paid to the relevant tax office.

6 Based on an illustrative rupiah exchange rate of S\$1.00 to Rp.9,800 (the “**Illustrative Rupiah Exchange Rate**”). Unless otherwise stated, all conversions of Rp. amounts into S\$ in this announcement shall be based on the Illustrative Rupiah Exchange Rate and all amounts in Rp. and S\$ in this announcement shall, where such amount exceeds one million, be rounded to one decimal number.

- (b) the consideration attributable to LPJ of Rp.570.0 billion (S\$61.1 million) (the “**LPJ Purchase Consideration**”).

Further details in respect of the structure of the Yogyakarta Transaction are set out at paragraph 2 below.

In connection with the Yogyakarta Transaction, it is proposed that Yogyakarta IndoCo (as the master lessor) will enter into a master lease agreement (the “**SHYG Master Lease Agreement**”) with the Master Lessees (as defined herein) pursuant to which Yogyakarta IndoCo will lease SHYG for a lease term of 15 years, commencing from the date of completion of the SHYG Acquisition (as defined below) with an option to renew for a further term of 15 years exercisable by the master lessees (the “**SHYG Master Lease**”).

Further, in connection with the Yogyakarta Transaction, it is proposed that Yogyakarta IndoCo (as the master lessor) will enter into the following leases:

- (I) a car park lease agreement with PT. Andhikarya Sukses Pratama (as the lessee of the car park space) (“**PT ASP**”) (the “**LPJ Car Park Lease Agreement**”);
- (II) a casual leasing space lease agreement with PT. Manunggal Megah Serasi (as the lessee of the casual leasing space of LPJ) (“**PT MMS**”) (the “**LPJ Casual Leasing Space Lease Agreement**”); and
- (III) specialty tenants leases over the specialty areas (which includes the areas leased to the anchor tenant (Matahari Department Store) and specialty tenants (including food court, chiller area and rooftop area) with PT. Mulia Cipta Sarana Sukses (as the lessee of the specialty tenants lease of LPJ) (“**PT MCSS**”) (the “**LPJ Specialty Tenants Lease Agreements**”);

(collectively, the “**LPJ Master Lease Agreements**”).

PT ASP, PT MMS and PT MCSS (collectively, the “**LPJ Lessees**”) are limited liability companies incorporated in Indonesia and are indirect wholly-owned subsidiaries of the Sponsor.

## **2. THE YOGYAKARTA TRANSACTION**

### **2.1 Description of the Property**

The Property, which is located at Jalan Laksda Adi Sucipto No. 32 – 34, Yogyakarta, comprises a 10-storey building (including one basement and one mezzanine level), which was originally built in 2005, erected on land with a total land area of 13,715 square metres (“**sq m**”) as specified in Right-to-Build Certificate No. 00131/Demangan. It has a shared multi-storey vehicle parking area on the upper levels totalling 752 and 875 car and motorcycle lots, respectively, and a helipad on the roof.

SHYG has a gross floor area (“**GFA**”) of 12,474 sq m with a maximum capacity of 220 beds and commenced operations under the “Siloam Hospitals” brand in July 2017, with Centres of Excellence for Neuroscience and Cardiology. Physical construction and redevelopment works for SHYG were completed in 2015.

LPJ has a GFA of 66,098 sq m (comprising 35,965 sq m for mall and 30,133 sq m for the parking area) with a diverse range of tenants including a cinema, food retailers and a

hypermarket. LPJ underwent major refurbishment from 2013 to 2015 and recommenced operations in June 2015.

## **2.2 Structure of the Yogyakarta Transaction**

First REIT and LMIR Trust are seeking to jointly acquire the Property for a total purchase consideration of Rp.834.6 billion (S\$88.1 million) from the Vendor, which is an indirect wholly-owned subsidiary of the Sponsor.

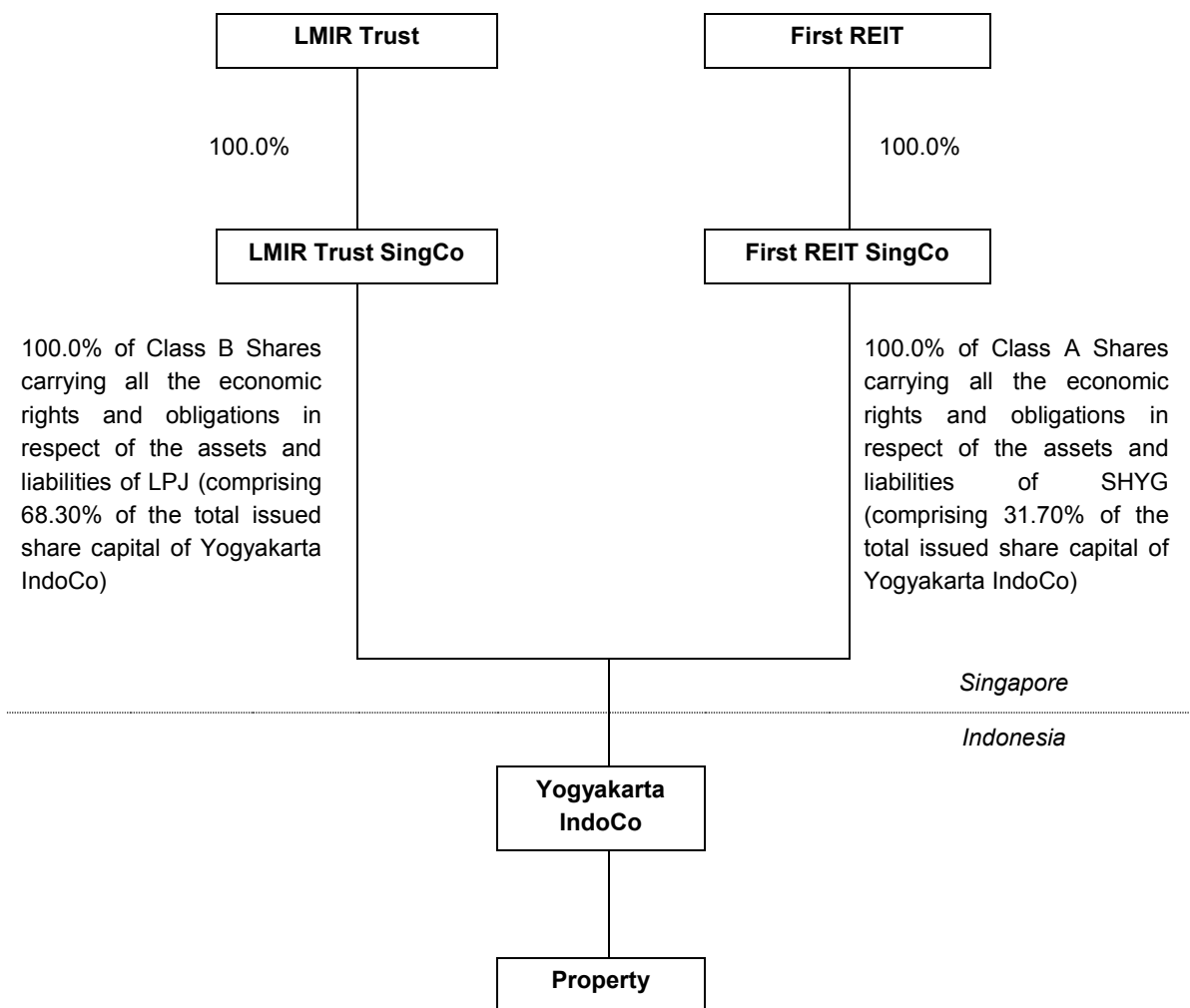
Pursuant to the JV Deed:

- (i) the holder of the Class A Shares are entitled to, among others, all the economic rights of all the assets and undertakings relating to SHYG and all the rights to the revenue, profits and dividends attributable to SHYG. The holder of the Class A Shares is also responsible for all the liabilities, obligations, costs, expenses and losses attributable to SHYG, howsoever arising; and
- (ii) the holder of the Class B Shares are entitled to, among others, all the economic rights of all the assets and undertakings relating to LPJ and all the rights to the revenue, profits and dividends attributable to LPJ. The holder of the Class B Shares is also responsible for all the liabilities, obligations, costs, expenses and losses attributable to LPJ, howsoever arising.

In addition, under the JV Deed, First REIT SingCo has agreed to indemnify LMIR Trust SingCo against any and all losses which LMIR Trust SingCo may suffer or incur which arises out of or in connection with SHYG while LMIR Trust SingCo has agreed to indemnify First REIT SingCo against any and all losses which First REIT SingCo may suffer or incur which arises out of or in connection with LPJ. The maximum aggregate liability of LMIR Trust SingCo to First REIT SingCo in respect of a claim under the JV Deed shall not exceed the reinstatement value of the hospital component based on the valuation of the hospital component in the latest audited financial statements of First REIT, while the maximum aggregate liability of First REIT SingCo to LMIR Trust SingCo in respect of a claim under the JV Deed shall not exceed the reinstatement value of the retail mall component based on the valuation of the retail mall component in the latest audited financial statements of LMIR Trust. Further, under the JV Deed, First REIT SingCo agrees and shall procure the First REIT Trustee to agree that any and all losses which LMIR Trust SingCo may suffer or incur which arises out of or in connection with SHYG shall be satisfied out of the assets of or held on trust for First REIT over which the First REIT Trustee has recourse while LMIR Trust SingCo agrees and shall procure the LMIR Trust Trustee to agree that any and all losses which First REIT SingCo may suffer or incur which arises out of or in connection with LPJ shall be satisfied out of the assets of or held on trust for LMIR Trust over which the LMIR Trust Trustee has recourse.

The effect of the JV Deed and the holding of the Class A Shares and Class B Shares is that First REIT will have exposure to all the economic rights and obligations in respect of SHYG through its indirect interest in the Class A Shares, while LMIR Trust will have exposure to all the economic rights and obligations in respect of LPJ through its indirect interest in Class B Shares, as if they had each acquired SHYG and LPJ separately.

The chart below sets out the structure under which the Property is proposed to be held by First REIT and LMIR Trust upon completion of the Yogyakarta Transaction.



### 2.3 Valuation and Property Purchase Consideration

Two independent property valuers, KJPP Willson & Rekan (in association with Knight Frank) (“**W&R**”) and KJPP Rengganis, Hamid & Rekan (in strategic alliance with CBRE Pte. Ltd.) (“**Rengganis**”), were appointed by the First REIT Trustee and the Manager respectively to value the Property (the “**First REIT Property Valuations**”), while W&R and Rengganis, were separately appointed as independent property valuers by the LMIR Trust Trustee and LMIRT Management Ltd., as manager of LMIR Trust (the “**LMIR Trust Manager**”) respectively to value the Property (the “**LMIRT Property Valuations**”).

The Property Purchase Consideration, being the aggregate of the SHYG Purchase Consideration and the LPJ Purchase Consideration, was arrived at on a willing-buyer willing-seller basis after taking into account the First REIT Property Valuations (in respect of SHYG only) and LMIRT Property Valuations (in respect of LPJ only). The First REIT Property Valuations and the LMIRT Property Valuations were derived using the income approach utilising the discounted cash flow method. This approach considers the subject property as an income producing property. The following table sets out the appraised values of SHYG based on the First REIT Property Valuations, the respective dates of such appraisal and the SHYG Purchase Consideration:

Property	Appraised Value <sup>(1)</sup>		Purchase Consideration (S\$ million)
	By W&R as at 30 June 2017	By Rengganis as at 30 June 2017	
	(S\$ million)	(S\$ million)	
SHYG	27.05	27.50	27.00 <sup>(2)</sup>

**Notes:**

- (1) As the Property is held under one HGB title, each of the First REIT Property Valuations and the LMIRT Property Valuations valued the Property as a whole while providing a breakdown between the values of SHYG and LPJ. Pursuant to the First REIT Property Valuations, the appraised values of the Property as a whole by W&R and Rengganis as at 30 June 2017 are Rp.826.6 billion and Rp 861.3 billion respectively. The appraised value of the Property and the breakdown between SHYG and LPJ in the LMIRT Property Valuations is the same as the First REIT Property Valuations.
- (2) Only the value of SHYG in the First REIT Property Valuations was taken into account in determining the SHYG Purchase Consideration.

The SHYG Purchase Consideration is below the two independent valuations obtained in relation to SHYG pursuant to the First REIT Property Valuations and represents a discount of 1.01% to S\$27.28 million, which is the average of the two independent valuations of SHYG pursuant to the First REIT Property Valuations.

## 2.4 Property Acquisition Cost

The total cost to First REIT of the Yogyakarta Transaction, comprising (i) the SHYG Purchase Consideration of Rp.264.6 billion (S\$27.0 million), (ii) the acquisition fee<sup>7</sup> of S\$0.27 million (the “**SHYG Acquisition Fee**”) payable to the Manager pursuant to the Trust Deed which is payable in the form of units of First REIT (“**Units**”), as well as (iii) the professional and other fees and expenses of approximately S\$0.63 million to be incurred by First REIT in connection with the Joint Acquisition, is estimated to be approximately S\$27.9 million (the “**SHYG Acquisition Cost**”). Please refer to the announcement of LMIR Trust in relation to, among other things, the Yogyakarta Transaction released on the same date as this announcement (the “**LMIR Trust Announcement**”) for details of the total cost to LMIR Trust of the Yogyakarta Transaction.

## 2.5 Method of Financing

The SHYG Purchase Consideration will be paid in cash on the date of completion of the SHYG Acquisition. The SHYG Acquisition Cost is expected to be financed by a combination of a drawdown from First REIT’s debt facilities and internal cash. The final decision regarding the method of financing to be employed will be made at the appropriate time taking into account the relevant market conditions.

## 2.6 Conditions Precedent to the Completion of the Joint Acquisition

Pursuant to the Property CSPA, completion of the Joint Acquisition under the Property CSPA may take place in two separate stages for SHYG and LPJ. Completion for the acquisition of LPJ pursuant to the Joint Acquisition (the “**LPJ Acquisition**”) is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following:

- 2.6.1 the obtainment of approval from the respective audit committees and the Boards of Directors of the Manager and LMIR Trust Manager;

<sup>7</sup> Being 1.0% of the SHYG Purchase Consideration.

- 2.6.2 the obtainment of approval from the First REIT Unitholders and LMIR Trust Unitholders to be given at extraordinary general meetings (“**EGM**”) of First REIT Unitholders and LMIR Trust Unitholders for the Joint Acquisition of the Property together by LMIRT and First REIT under the transaction documents (as defined in the Property CSPA) including the sale and purchase of the Property pursuant to the Property CSPA and for the relevant Contracts (as defined in the Property CSPA);
- 2.6.3 the obtainment of approval from the shareholders of the Yogyakarta IndoCo;
- 2.6.4 the entry into and delivery of a trademark licensing agreement between Yogyakarta IndoCo and PT Sentra Dwimandiri for the grant of the right to Yogyakarta IndoCo to use the trademark or word “Lippo”;
- 2.6.5 the obtainment of other approvals (if required) including those of the Monetary Authority of Singapore (“**MAS**”) and Singapore Exchange Securities Trading Limited (the “**SGX-ST**”);
- 2.6.6 the Yogyakarta IndoCo, First REIT Trustee and LMIR Trust Trustee being satisfied with the results of due diligence (in relation to legal, financial, tax and building due diligence) to be conducted by the Yogyakarta IndoCo, First REIT Trustee and LMIR Trust Trustee and/or its counsels or advisers, which the Yogyakarta IndoCo, First REIT Trustee and/or LMIR Trust Trustee may consider to be relevant, including due diligence and court searches conducted on or in connection with the Vendor and the Property;
- 2.6.7 LMIR Trust securing sufficient financing to undertake the payment of the LPJ Purchase Consideration and the agreement for such financing not having been terminated and being unconditional in all respects;
- 2.6.8 the receipt by the Yogyakarta IndoCo of relevant legal opinions as specified in the Property CSPA;
- 2.6.9 there being no adverse change to the financial condition of the Vendor and PT Wisma Jatim Propertindo (“**PT WJP**”) which is a wholly-owned subsidiary of the Sponsor and which will be entering into the Deed of Indemnity (as defined below), or their ability to perform any of their obligations under the transaction documents;
- 2.6.10 the licenses, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the proposed sale and purchase of the Property pursuant to the transaction documents having been obtained by the Vendor from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms satisfactory to the Yogyakarta IndoCo and such licenses, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remain in full force and effect;
- 2.6.11 no law, regulation or decision which would prohibit, restrict or delay or adversely affect the sale and purchase of the Property or the operation of the Property having been proposed, enacted or taken by any governmental or official authority;
- 2.6.12 the obtainment by the Vendor of corporate approvals from its shareholders, board of commissioners and board of directors approving, among others, the sale of the

Property and the transactions contemplated in the transaction documents to which the Vendor is a party;

- 2.6.13** the entry into a Deed of Indemnity between the First REIT Trustee, the LMIR Trust Trustee and PT WJP;
- 2.6.14** the obtainment by PT WJP, of corporate approvals from its shareholders, board of commissioners and board of directors approving, among others, to act as a guarantor by providing indemnification for the Vendor and the transactions contemplated in the transaction documents to which PT WJP is a party;
- 2.6.15** the submission of the 2016 duly audited financial statement of PT WJP as indemnifier and if required by the Yogyakarta IndoCo, the First REIT Trustee or the LMIR Trust Trustee in their discretion, the change of identity of the indemnifier to a party acceptable to the Yogyakarta IndoCo, the First REIT Trustee and the LMIR Trust Trustee and any amendments, supplements, novation, assignments, and/or extensions of to the Deed of Indemnity as may be required to give effect to the foregoing in form and substance satisfactory to the Yogyakarta IndoCo, the First REIT Trustee and the LMIR Trust Trustee (as the case may be);
- 2.6.16** the due execution of novation agreements to novate contracts involving the Property to the Yogyakarta IndoCo;
- 2.6.17** there being no compulsory acquisition of the Property or any part of it, and no notice of such intended compulsory acquisition or resumption has been given, or is anticipated by the government or other competent authority;
- 2.6.18** subject to the provisions of the Property CSPA, the Property or any part thereof is not materially damaged;
- 2.6.19** the receipt of the Yogyakarta IndoCo of a duly executed land confirmation letter (*surat keterangan pendaftaran tanah*) from the authorised land office, stating the legal title of the Vendor over the HGB and expiration of such legal title;
- 2.6.20** the obtainment by the Vendor of all licenses required for the construction and operation of the Property in respect of the retail mall component in accordance with applicable laws and regulations;
- 2.6.21** all requirements, including but not limited to, the obtainment, the timely renewal and/or extension and/or undertaking to renew and/or to extend of all requisite insurances, licenses and certifications having been obtained by the Vendor in relation to LPJ;
- 2.6.22** there having been no breach of any of the representations, warranties, covenants and/or undertakings provided in the transaction documents which, in the reasonable opinion of the Yogyakarta IndoCo, will or is likely to (a) have a material adverse effect on the Property, (b) affect the effectiveness, legality, validity and/or enforceability of the sale and transfer of the Property from the Vendor to the Yogyakarta IndoCo free of any encumbrances in accordance with the transaction documents, (c) affect the effectiveness, legality, validity and/or enforceability of the transaction documents or the transactions contemplated thereby, (d) affect the performance of obligations of the Vendor under any transaction document, (e) affect or impair the rights, entitlements, authorities and/or benefits of a purchaser group member under the transaction documents, and/or (f) affect the legal title



and beneficial ownership of the Property by the Vendor prior to or on completion of the LPJ Acquisition;

- 2.6.23 all the Vendor's rights and obligations under the Contracts (including but not limited to tenancy agreements of LPJ representing at least 50% of the total lease revenue of LPJ (the "**Required Tenancy Agreements**")<sup>8</sup> the Property Management Agreement and the Mall Operator Agreement being irrevocably and unconditionally novated to the Yogyakarta IndoCo;
- 2.6.24 the execution of the LPJ Master Lease Agreements;
- 2.6.25 the due execution of the termination agreement of the existing lease agreements in relation to LPJ for the car park, the casual leasing space, the specialty tenants and the art gallery;
- 2.6.26 due execution of all other transaction documents;
- 2.6.27 the assignment to the Yogyakarta IndoCo of all warranties, including those as set out in the Property CSPA; and
- 2.6.28 the rectification of the defects as set out in the Property CSPA.

In the event that there are contracts, agreements, leases and/or letters of intent (excluding the Required Tenancy Agreements) in relation to the Property which are not novated from the Vendor to Yogyakarta IndoCo from the date of completion of the LPJ Acquisition, the Vendor shall novate the remaining tenancy agreements to Yogyakarta IndoCo within six months commencing from the date of completion of the LPJ Acquisition and within such six month period, Yogyakarta IndoCo shall be entitled to receive all rental fees and service charges in relation to the remaining tenancy agreements from the Vendor without any deductions, and such rental fees and service charges shall be paid on a monthly basis. If the Vendor has not fully novated the remaining tenancy agreements at the end of the above six month period, the Vendor shall pay Yogyakarta IndoCo the total rental fees and service charges for the remaining terms of such tenancy agreements.

Completion for the acquisition of SHYG pursuant to the Joint Acquisition (the "**SHYG Acquisition**") is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following:

- (i) the completion of the LPJ Acquisition has occurred and the deed of sale and purchase (*akta jual beli*) between the Vendor and Yogyakarta IndoCo transferring the Yogyakarta Property (the "**Deed of SPA**") is executed before the authorised Land Deed Officer (*Pejabat Pembuat Akta Tanah*) in accordance with the applicable Indonesia Laws;
- (ii) First REIT securing sufficient financing to undertake the payment of the SHYG Purchase Consideration and the agreement for such financing not having been terminated and being unconditional in all respects;
- (iii) the due execution of the termination agreement in respect of the Existing SHYG Master Lease Agreement;
- (iv) the entry into of the SHYG Master Lease Agreement;

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8 "**Total lease revenue of LPJ**" means the total amount of rental fees and other amounts payable to the Vendor by all tenants at LPJ under all tenancy agreements in relation to LPJ commencing from the date of the completion of the LPJ Acquisition until the expiry of the remaining lease terms of such tenancy agreements.

- (v) all requirements, including but not limited to, the obtainment, the timely renewal and/or extension and/or undertaking to renew and/or to extend of all requisite insurances, licenses and certifications having been obtained by the Vendor in relation to SHYG;
- (vi) no law, regulation or decision which would prohibit, restrict or delay or adversely affect the sale and purchase of SHYG or the operation of SHYG having been proposed, enacted or taken by any governmental or official authority; and
- (vii) there having been no breach of any of the representations, warranties, covenants and/or undertakings provided in the transaction documents which, in the reasonable opinion of the Yogyakarta IndoCo, will or is likely to (a) have a material adverse effect on the Property, (b) affect the effectiveness, legality, validity and/or enforceability of the sale and transfer of the Property from the Vendor to the Yogyakarta IndoCo free of any encumbrances in accordance with the transaction documents, (c) affect the effectiveness, legality, validity and/or enforceability of the transaction documents or the transactions contemplated thereby, (d) affect the performance of obligations of the Vendor under any transaction document, (e) affect or impair the rights, entitlements, authorities and/or benefits of the purchaser group members under the transaction documents, and/or (f) affect the legal title and beneficial ownership of the Property by the Vendor prior to or on the completion of the SHYG Acquisition.

Upon the completion of the LPJ Acquisition, the Vendor and Yogyakarta IndoCo will enter into the Deed of SPA which shall be executed before the authorised Land Deed Officer (*Pejabat Pembuat Akta Tanah*) in accordance with the applicable Indonesia Laws.

## **2.7 Indemnity in relation to the Property CSPA**

The First REIT Trustee and the LMIR Trust Trustee have on 13 October 2017 also entered into a deed of indemnity with PT WJP, which is a wholly-owned subsidiary of the Sponsor, pursuant to which PT WJP will, subject to certain conditions, indemnify First REIT Trustee and LMIR Trust Trustee against liabilities or damages suffered by First REIT Trustee and LMIR Trust Trustee arising from the Yogyakarta Transaction (the “**Deed of Indemnity**”). Under the Deed of Indemnity, the maximum aggregate liability of PT WJP to the First REIT Trustee and the LMIR Trust Trustee is limited to the SHYG Purchase Consideration and the LPJ Purchase Consideration, respectively. Further, no claim shall be brought against PT WJP unless (i) written particulars shall have been notified in writing to the indemnifying party before the expiry of, in relation to the LPJ Master Lease Agreements, a period of five years, and in relation to all other transaction documents (as defined under the Yogyakarta Deed of Indemnity), a period of 24 months from the completion for the acquisition of LPJ or completion for the acquisition of SHYG, whichever is the later, and (ii) unless such claim has already been settled to the satisfaction of Yogyakarta IndoCo, proceedings in respect of the claim shall have been commenced by being both issued and served within four months of the expiry of the period mentioned above.

## **2.8 The SHYG Master Lease Agreement**

Upon completion of the SHYG Completion, Yogyakarta IndoCo will enter into the SHYG Master Lease Agreement with the Sponsor and PT Taruna Perkasa Megah, as master lessees of SHYG (the “**Siloam Lessee**” and together with the Sponsor, the “**Master Lessees**”). Siloam Lessee is a wholly owned subsidiary of PT Siloam International

Hospitals Tbk (“**Siloam**”). Siloam is listed on the Indonesia Stock Exchange and as at 30 September 2017, the Sponsor indirectly holds approximately 62.09% of Siloam.

The SHYG Master Lease will be granted to the Master Lessees for a lease term of 15 years, commencing from the date of completion of SHYG Completion with an option to renew for a further term of 15 years. The existing SHYG master lease agreement will be terminated on completion of the SHYG Acquisition. Some key terms of the SHYG Master Lease Agreement are as follows. For the avoidance of doubt, pursuant to the JV Deed, LMIR Trust will neither be entitled to the income earned by Yogyakarta IndoCo nor responsible for the obligations under the SHYG Master Lease Agreement.

#### **2.8.1 SHYG Master Lease Agreement**

##### **(i) Base Rent**

The SHYG Master Lease is granted at an initial base rent of S\$2.43 million (Rp.23.81 billion) (the “**Base Rent**”)<sup>9</sup> per annum. In the absence of direct hospital asset comparables, the Manager has used three of its existing properties, Siloam Sriwijaya (“**SS**”), Siloam Hospitals Kupang<sup>10</sup> (“**SHKP**”) and Siloam Hospitals Labuan Bajo (“**SHLB**”), for which the tenants are currently paying S\$1.92, S\$1.38 and S\$1.88 per square foot (“**sq ft**”) per month, respectively, as a comparison with SHYG and for which the tenant will be paying S\$1.51 per sq ft per month based on the contracted base rent. The rate of S\$1.51 per sq ft per month was arrived at based on commercial negotiations between willing parties.

At this rental rate, First REIT will be able to achieve its required rate of return. Due to the lack of prior transactions and relevant data of other comparable hospitals and medical centres in Indonesia, especially those with sales and master lease arrangements similar to the subject property, the Manager is of the view that SS and SHKP are the closest and best comparables to SHYG in terms of geographical location and asset characteristics. As the yield in relation to the annual Base Rent meets the Manager’s commercial requirements and is in line with current market rates, the Manager is of the view that it is reasonable.

The current yield of SHYG in comparison with First REIT’s Indonesia portfolio is as follows:

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9 The Base Rent of S\$2.43 million is computed as follows: 12,474 sq m (SHYG’s GFA) x S\$1.51 per sq ft per month (SHYG’s base rental rate) x 12 months x 10.764 (to convert sq m into sq ft) = S\$2.43 million per annum.

10 Siloam Hospitals Kupang is the hospital component of an integrated property comprising Siloam Hospitals Kupang and Lippo Plaza Kupang.

Property	Current Yield (% p.a.)
Siloam Hospitals Lippo Village	8.95
Siloam Hospitals Kebon Jeruk	8.55
Siloam Hospitals Surabaya <sup>(1)</sup>	10.74
Imperial Aryaduta Hotel & Country Club <sup>(2)</sup>	9.52
Mochtar Riady Comprehensive Cancer Centre	8.36
Siloam Hospitals Lippo Cikarang	8.78
Siloam Hospitals Manado & Hotel Aryaduta Manado	8.36
Siloam Hospitals Makassar	8.09
Siloam Hospitals Bali	7.91
Siloam Hospitals TB Simatupang	7.86
Siloam Hospitals Purwakarta	8.29
Siloam Sriwijaya	9.13
Siloam Hospitals Kupang & Lippo Plaza Kupang	9.99
Siloam Hospitals Labuan Bajo	8.99
Siloam Hospitals Buton & Lippo Plaza Buton	9.97
SHYG	9.00

**Notes:**

(1) First REIT has, on 29 December 2015, obtained Unitholders' approval for the transaction in relation to Siloam Hospitals Surabaya pursuant to which, among others, it is intended that (i) a new hospital ("**New SHS**") will be developed and constructed adjacent to the existing Siloam Hospitals Surabaya; (ii) upon completion of the development of the New SHS, First REIT will acquire the New SHS; and (iii) upon completion of the development of the New SHS, First REIT will divest the existing Siloam Hospitals Surabaya. On 18 August 2017, First REIT had made the second progress payment after the completion of the foundation work for the New SHS. For the avoidance of doubt, while the development works of the New SHS is in progress, the existing Siloam Hospitals Surabaya remains operational.

(2) Imperial Aryaduta Hotel & Country Club has no healthcare component.

Based on the current yields as shown in the table above, the Manager is of the opinion that SHYG's rental yield is comparable to that of the other properties, and the rental rate is therefore reasonable. Furthermore, rental yields vary from asset to asset depending on the inherent characteristics of the assets.

The Base Rent is payable quarterly in advance and will be subject to increase every year after the initial period of five years from the commencement of the SHYG Master Lease (the "**Initial Five-Year Period**"), at a rate equal to twice the percentage increase of the Consumer Price Index of Singapore (the "**Singapore CPI**") for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%. In addition, for each five-year period of the lease term commencing after the Initial Five-Year Period (i.e. from the 6<sup>th</sup> year to the 10<sup>th</sup> year and from the 11<sup>th</sup> year to the 15<sup>th</sup> year), the increase shall be subject to a further cap of 5.0% for each such

five-year period. Rental escalation in relation to SHYG is pegged to the Singapore CPI, as is the case with the Existing Portfolio<sup>11</sup>. The historical trends of the Singapore CPI (the average Singapore CPI was approximately 1.9% over the 15-year period between 2002 and 2016) provide assurance that the rental adjustments will be relatively stable compared with the Consumer Price Index of Indonesia (the “Indonesia CPI”). This is in line with First REIT’s intent to offer stable distributions to investors.

In the event that there the Singapore Dollar to Indonesian Rupiah exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,800, the Base Rent shall be adjusted accordingly based on the following formula:

Base Rent / Rp. 9,800 x BI Market Rate,

Where “**BI Market Rate**” means the Bank Indonesia’s Rupiah exchange rate based on Bank Indonesia’s buying rate of Singapore Dollar to Indonesian Rupiah applicable 14 (fourteen) days prior to the date of the invoice issued by Yogyakarta IndoCo pursuant to the SHYG Master Lease Agreement. As a result of this formula stipulated in the SHYG Master Lease Agreement, the exchange rate exposure vis-à-vis the Indonesian Rupiah is mitigated. Accordingly, in Singapore dollar terms, there would be no real reduction in the rental rate when compared to the long run inflation rate in Singapore.

The Manager is also of the view that the cap of 2.0% is reasonable as it is consistent with the Existing Portfolio. The further cap of 5.0% for each five-year period of the lease term commencing after the Initial Five-Year Period was commercially agreed between willing parties, and the Manager believes that this is reasonable as it will allow the hospital to be in a better position to manage its cash flow through more stable rental payments over the long term. For the avoidance of doubt, a negative Singapore CPI will not decrease the annual Base Rent.

(ii) **Variable Rent**

Variable rent will be payable quarterly in advance and no variable rent will be payable for the Initial Five-Year Period of the SHYG Master Lease as this will enable the tenant to conserve its cash flow to step up and enhance its operations to an optimal level. Variable rent for the sixth year and for subsequent years of the SHYG Master Lease will be based on the Gross Operating Revenue<sup>12</sup> growth and will be calculated as described in sub-paragraph 2.8.1(iii). The Manager also wishes to note that the Base Rent will form the main bulk of the SHYG Total

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11 “**Existing Portfolio**” means the portfolio of properties currently held by First REIT, consisting of: its properties in Indonesia being Siloam Hospitals Buton & Lippo Plaza Buton, Siloam Hospitals Labuan Bajo, Siloam Hospitals Kupang & Lippo Plaza Kupang, Siloam Sriwijaya, Siloam Hospitals Purwakarta, Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar, Mochtar Riady Comprehensive Cancer Centre, Siloam Hospitals Lippo Cikarang, Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya and Imperial Aryaduta Hotel & Country Club; its properties in Singapore, Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang, The Lantor Residence; and its property in the Republic of South Korea, Sarang Hospital.

12 “**SHYG Gross Operating Revenue**” means the gross operating revenue of the tenant derived specifically from the tenant’s healthcare and/or healthcare-related business carried on at SHYG, as audited for such period commencing 1 January and ending on 31 December of the same year (“**Fiscal Year**”). In the event the property is sub-let by the tenant to a sub-tenant, the gross operating revenue shall mean with respect to a Fiscal Year, the gross operating revenue of the sub-tenant derived specifically from the sub-tenant’s healthcare and/or healthcare-related business carried on at the property, as audited for such Fiscal Year.

Rent<sup>13</sup> which adequately achieves First REIT's required rate of return. The variable rent will constitute only a small proportion of the SHYG Total Rent.

In the event that the Singapore Dollar to Indonesian Rupiah exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,800, the variable rent shall be adjusted accordingly based on the following formula:

Variable Rent / Rp. 9,800 x BI Market Rate,

Where "**BI Market Rate**" means the Bank Indonesia's Rupiah exchange rate based on Bank Indonesia's buying rate of Singapore Dollar to Indonesian Rupiah applicable 14 (fourteen) days prior to the date of the invoice issued by Yogyakarta IndoCo pursuant to the SHYG Master Lease Agreement. As a result of this formula stipulated in the SHYG Master Lease Agreement, the exchange rate exposure vis-à-vis the Indonesian Rupiah is mitigated. Accordingly, in Singapore dollar terms, there would be no real reduction in the rental rate when compared to the long run inflation rate in Singapore.

At least two weeks prior to each quarterly rent payment date, the Sponsor shall give written notice to the Yogyakarta IndoCo of the apportionment of the Total Rent payable by the Sponsor and the Siloam Lessee in respect of such quarter.

(iii) **Computation of the Variable Rent for the Sixth Year of the SHYG Master Lease**

No variable rent will be payable in the Initial Five-Year Period of the SHYG Master Lease. For the sixth year and for subsequent years of the SHYG Master Lease, the variable rent payable will be computed as follows:

- where the SHYG Gross Operating Revenue for the preceding financial year exceeds the SHYG Gross Operating Revenue for the further preceding financial year by an amount that is 5.0% or more but less than 15.0%, the variable rent payable by the master lessee of the SHYG shall be equivalent to 0.75% of such excess amount;
- where the SHYG Gross Operating Revenue for the preceding financial year exceeds the SHYG Gross Operating Revenue for the further preceding financial year by an amount that is 15.00% or more but less than 30.00%, the variable rent payable by the master lessee of the SHYG shall be equivalent to 1.25% of such excess amount; and
- where the SHYG Gross Operating Revenue for the preceding financial year exceeds the SHYG Gross Operating Revenue for the further preceding financial year by an amount of 30.00% or more, the variable rent payable by the master lessee of the SHYG shall be equivalent to 2.00% of such excess amount.

For the avoidance of doubt, when the SHYG Gross Operating Revenue of the preceding financial year of the master lessee of the SHYG does not exceed the SHYG Gross Operating Revenue of the further preceding financial year by 5.0% or more, no Variable Rent will be payable.

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13 "SHYG Total Rent" refers to the sum of the Base Rent and the Variable Rent.

### 2.8.2 Fixed Exchange Rate

The SHYG Total Rent shall be paid in Indonesian Rupiah. In the event the exchange rate deviates from the exchange rate of S\$1.00 to Rp.9,800, the SHYG Total Rent shall be adjusted accordingly based on the following formula:

Total Rent / Rp.9,800 x BI Market Rate,

Where “**BI Market Rate**” means the Bank Indonesia’s Rupiah exchange rate based on Bank Indonesia’s buying rate of Singapore Dollar to Indonesian Rupiah applicable 14 days prior to the date of the invoice issued by Yogyakarta IndoCo pursuant to the SHYG Master Lease Agreement.

### 2.8.3 Assignment/Subletting

The Master Lessees shall not assign the SHYG Master Lease without the prior written consent of Yogyakarta IndoCo. The assignee must be of good repute and sound financial standing and the Master Lessees, the assignee and Yogyakarta IndoCo shall contemporaneously with the assignment of the SHYG Master Lease to the assignee (as new tenant) execute in escrow a deed of novation in respect of the SHYG Master Lease for the replacement of the assignee by the Master Lessees upon the occurrence of any event of default committed by the assignee under the SHYG Master Lease.

The Master Lessees shall not sub-let SHYG without the prior written notice to Yogyakarta IndoCo, provided always that:

- (i) the use of any sub-let areas shall be in accordance with or ancillary to the Permitted Use;
- (ii) the Master Lessees shall remain responsible and liable to the Yogyakarta IndoCo for the due observance and performance of the SHYG Master Lease;
- (iii) the Master Lessees shall procure the compliance of the sub-tenant with the relevant provisions of this SHYG Master Lease; and
- (iv) all sub-leases shall contain a provision by which the sub-tenant agrees:
  - (a) that any indemnity, release, exemption or waiver of liability given or agreed to be given by the sub-tenant in favour of the Master Lessees shall extend to Yogyakarta IndoCo;
  - (b) that any defences available to the Master Lessees against the sub-tenant under the sub-lease shall be similarly available to the Yogyakarta IndoCo as against the sub-tenant; and
  - (c) the provisions at paragraphs 2.8.3(i) and 2.8.3(ii) shall, pursuant to the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore, be enforceable by the Yogyakarta IndoCo and shall not be varied except with the prior written consent of the Yogyakarta IndoCo.

#### **2.8.4 Maintenance and other Operating Expenses of SHYG**

The Siloam Lessee will be responsible for:

- (i) all outgoings including, but not limited to, expenses relating to all property related taxes, utility costs, contributions, charges (including any common area service charges), assessments, duties and fees levied, assessed or charged by government authorities in relation to SHYG;
- (ii) costs and expenses for, among other things, the operation, maintenance and management of SHYG, and landscaping costs; and
- (iii) all capital expenses relating to SHYG for the first two years of the SHYG Master Lease.

Accordingly, First REIT will not be affected by any cost escalation in Indonesia of maintenance and operation expenses in relation to SHYG.

#### **2.8.5 Insurance of SHYG**

At all times during the term of the SHYG Master Lease and during any period of holding over, the Siloam Lessee shall at its cost and expense, take out and keep in force the following insurance policies:

- (i) an insurance policy over all of the Master Lessees' property including any and all goods and stock-in-trade in SHYG to their full insurable value against all risks commonly insured against in respect of such property;
- (ii) an insurance policy against loss of rental income, terrorism, sabotage, business interruption and all risks and damage (including earthquake) in the joint names of Yogyakarta IndoCo and the Master Lessees to its full insurable amount as assessed by Yogyakarta IndoCo, damage to the building at SHYG and all parts thereof which the Siloam Lessee is obliged to keep in repair under the SHYG Master Lease. Yogyakarta IndoCo shall pay for any increase in premium payable due to increase in sum insured for all risks and damage (including earthquake), if any;
- (iii) a comprehensive public liability insurance policy in the joint names of Yogyakarta IndoCo and the Master Lessees against claims for personal injury, death or property damage or loss, arising out of all operations of the Master Lessees and its permitted occupiers in SHYG; and
- (iv) an insurance policy covering all of the Master Lessees' risks with such insurance coverage as appropriate and typical for the size and type of business carried out by the Master Lessees at SHYG.

The Manager believes that the insurance policies to be taken out by the Vendor for SHYG are consistent with industry practice in Indonesia.

### **2.9 The LPJ Master Lease Agreements**

Upon completion of the LPJ Acquisition, Yogyakarta IndoCo will enter into the LPJ Master Lease Agreements, in relation to the car park, the casual leasing space and the speciality tenants.

The LPJ Lessees are limited liability companies incorporated in Indonesia and are indirect wholly-owned subsidiaries of the Sponsor.



Please refer to the LMIR Trust Announcement for further details of the terms of the LPJ Master Lease Agreements. For the avoidance of doubt, pursuant to the JV Deed, First REIT will neither be entitled to the income earned, nor responsible for the obligations, under the LPJ Master Lease Agreement.

The obligations under the LPJ Master Lease Agreements shall be borne solely by the Icon2 pursuant to Icon2's holding of Class B Shares and based on the terms of the JV Deed. Pursuant to the JV Deed, First REIT is also indemnified by LMIR Trust for any losses and damages suffered and expenses incurred in connection with LPJ.

The entry into of the LPJ Master Lease Agreements is subject to the approval of the LMIR Trust Unitholders.

## **2.10 Related Tenancy Agreements relating to the Yogyakarta Transaction**

Upon the completion of the LPJ Acquisition, and assuming that all of the leases of LPJ are novated to Yogyakarta IndoCo immediately prior to the completion of the LPJ Acquisition, LMIR Trust will, through Yogyakarta IndoCo, take over all of the tenancy agreements with respect to LPJ, including various tenancy agreements entered into with certain associates and subsidiaries of the Sponsor (the "**Related Tenancy Agreements**"). Please refer to the LMIR Trust Announcement for further details of the Related Tenancy Agreements.

## **2.11 Interested Person Transaction and Interested Party Transaction**

Under Chapter 9 of the Listing Manual, where First REIT proposes to enter into a transaction with an Interested Person and the value of the transaction (either in itself or when aggregated with the value of other transactions, each of a value equal to or greater than S\$100,000 with the same Interested Person during the same financial year) is equal to or exceeds 5.0% of First REIT's latest unaudited NTA, Unitholders' approval is required in respect of the transaction.

Based on the audited consolidated financial statements of First REIT and its subsidiaries for First REIT's financial year ended 31 December 2016 ("**FY2016**", and the FY2016 audited consolidated financial statements, the "**FY2016 Audited Consolidated Financial Statements**"), the NTA of First REIT was S\$777.7 million as at 31 December 2016. Accordingly, if the value of a transaction which is proposed to be entered into in the current financial year by First REIT with an Interested Person<sup>14</sup> is, either in itself or in aggregate with all other earlier transactions (each of a value equal to or greater than S\$100,000) entered into with the same Interested Person during the current financial year, equal to or in excess of S\$38.9 million, such a transaction would be subject to Unitholders' approval.

Paragraph 5 of the Property Funds Appendix also imposes a requirement for Unitholders' approval for an Interested Party Transaction<sup>15</sup> by First REIT which value exceeds 5.0% of First REIT's latest audited NAV. Based on the FY2016 Audited Consolidated Financial Statements, the NAV of First REIT was S\$777.7 million as at 31 December 2016.

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14 "**Interested Person**" means:

- (a) In the case of a company, "interested person" means:
  - (i) a director, chief executive officer, or controlling shareholder of the issuer; or
  - (ii) an associate of any such director, chief executive officer, or controlling shareholder; and
- (b) in the case of a REIT, shall have the meaning defined in the Code on Collective Investment Schemes issued by the MAS.

15 "**Interested Party Transaction**" has the meaning ascribed to it in Paragraph 5 of the Property Funds Appendix.

Accordingly, if the value of a transaction, which is proposed to be entered into by First REIT with an Interested Party, is equal to or greater than S\$38.9 million, such a transaction would be subject to Unitholders' approval.

As at the date of this announcement, the Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 30.79% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a "Controlling Unitholder"<sup>16</sup> of First REIT and a "Controlling Shareholder"<sup>17</sup> of the Manager respectively under both the Listing Manual of the SGX-ST (the "**Listing Manual**") and the Property Funds Appendix. The Sponsor also directly and/or through its subsidiaries and through its interest in the LMIR Trust Manager, has deemed interests of (i) 29.85% in LMIR Trust and (ii) 100.0% in the LMIR Trust Manager and is therefore regarded as a Controlling Unitholder of LMIR Trust and a Controlling Shareholder of the LMIR Trust Manager respectively under both the Listing Manual and the Property Funds Appendix.

For the purposes of Chapter 9 of the Listing Manual and the Property Funds Appendix, the Vendor, being an indirect wholly-owned subsidiary of the Sponsor (which in turn is a Controlling Unitholder of First REIT and a Controlling Shareholder of the Manager) is an Interested Person<sup>18</sup> and Interested Party<sup>19</sup> of First REIT. In addition, LMIR Trust and First REIT have the same Controlling Unitholder and the Manager and the LMIR Trust Manager have the same Controlling Shareholder.

Given the SHYG Purchase Consideration of Rp.264.6 billion (S\$27.0 million) (which is 3.47% of the NTA and NAV respectively of First REIT as at 31 December 2016) and the value of the SHYG Master Lease of approximately S\$36.45<sup>20</sup> million (which represents approximately 4.69% of First REIT's latest audited NTA), the value of the Yogyakarta Transactions will in aggregate exceed (i) 5.0% of First REIT's latest unaudited NTA and (ii) 5.0% of First REIT's latest unaudited NAV.

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16 "Controlling Unitholder" means a person who:

- (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or
- (b) in fact exercises control over the property fund.

17 "Controlling Shareholder" means a person who:

- (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company; or
- (b) in fact exercises control over a company.

18 As defined in the Listing Manual, means:

- (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of First REIT or, as the case may be, LMIR Trust; or
- (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of First REIT or, as the case may be, LMIR Trust.

19 As defined in the Property Funds Appendix, means:

- (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of First REIT or, as the case may be, LMIR Trust; or
- (b) an associate of any director, chief executive officer or Controlling Shareholder of the manager, or an associate of the manager, the trustee or any controlling unitholder of First REIT or, as the case may be, LMIR Trust.

20 Based on the SHYG Base Rent payable under the SHYG Master Lease for the 15 year term, assuming there is no change in the initial base rent of S\$2.43 million per annum.

As such, the Yogyakarta Transaction will constitute Interested Person Transactions<sup>21</sup> under Chapter 9 of the Listing Manual and also Interested Party Transactions under paragraph 5 of the Property Funds Appendix for which First REIT Unitholders' approval is required. Accordingly, the approval of First REIT Unitholders is sought for the Transactions.

### **3. RATIONALE FOR THE YOGYAKARTA TRANSACTION**

The Manager believes that the Yogyakarta Transaction will bring, among others, the following key benefits to First REIT Unitholders:

#### **3.1 Opportunity to purchase attractive and high quality property in Central Java, Yogyakarta, at price below valuation**

The Yogyakarta Transaction represents an opportunity for First REIT to acquire a hospital that is attractive, high quality and of international standards, situated in a strategically located catchment area with one of the highest population densities of Yogyakarta. Regionally, Yogyakarta and the surrounding cities collectively have one of the highest population densities of Java.

SHYG will be well-positioned for the middle to upper-middle income segment of the healthcare market.

Additionally, SHYG will be acquired at a price below the average of its independent valuations. SHYG will be acquired at a discount of 1.01% to the average of the independent valuations by W&R and Rengganis.

#### **3.2 Increased income stability of First REIT through the SHYG Master Lease Agreement and increase in First REIT's weighted average lease to expiry**

The SHYG Master Lease will be beneficial to First REIT as SHYG is expected to provide stability to First REIT's Gross Rental Income<sup>22</sup> over the next 15 to 30 years (assuming that the option to renew for a further term of 15 years is exercised). The step-up feature of the base and variable rental components under the SHYG Master Lease Agreement will also provide locked-in organic growth in First REIT's cash flow. To ensure stability in First REIT's Gross Rental Income from SHYG, security deposits equivalent to six months of SHYG's annual rental payable (amounting to S\$1,215,000) will be made to First REIT in the form of bankers' guarantees. Such security deposit amounts will be adjusted at relevant rent review dates.

The Yogyakarta Transaction is also in line with the Manager's acquisition growth strategy of pursuing opportunities for asset acquisitions that will provide stable cash flows and returns relative to First REIT's cost of capital and opportunities for future income and capital growth.

Currently, the master leases of the properties in First REIT's Existing Portfolio are between 10 to 15 years. With the Yogyakarta Transaction, First REIT will benefit from the increase in the Existing Portfolio's weighted average lease to expiry based on the secured Gross Rental Income with SHYG contributing 2.27% of First REIT's total Gross Rental Income as

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21 "Interested Person Transaction" means a transaction between an entity at risk and an Interested Person (as defined herein).

22 "Gross Rental Income" refers to the contracted rent under the master lease agreements in relation to SHYG and the portfolio of properties currently held by First REIT, which comprises base rent and variable rent (where applicable).

at 31 December 2016, under the SHYG Master Lease Agreement. The weighted average lease to expiry of the Enlarged Portfolio<sup>23</sup> will increase from approximately 10.0 years as at 31 December 2016 to 10.2 years after the completion of the Yogyakarta Transaction.

### **3.3 Increased absolute size of First REIT's asset base which will raise the profile of First REIT among global investors and increased portfolio size enhances First REIT's competitive positioning and ability to pursue future acquisitions**

First REIT's asset size will grow by 2.36% from S\$1.27 billion as at 31 December 2016 to S\$1.30 billion after the completion of the Yogyakarta Transaction. The value of First REIT's Deposited Property<sup>24</sup> is expected to increase by 2.24% from S\$1.34 billion as at 31 December 2016 to S\$1.37 billion after the completion of the Yogyakarta Transaction and there will also be a 3.97% increase in the total GFA from 314,311 sq m before the Yogyakarta Transaction to 326,785 sq m after the completion of the Yogyakarta Transaction. The maximum number of hospital beds for the Indonesia properties will increase by 6.52% from 3,373 to 3,593.

The larger asset base is expected to enhance First REIT's overall capital management flexibility, which will, among others, facilitate future acquisitions by First REIT.

The Yogyakarta Transaction is expected to benefit First REIT Unitholders by improving diversification of Gross Rental Income due to diversification in geographical location and asset class. With an enlarged asset base, the operator of SHYG will also enjoy greater operating synergies in the long term which would indirectly benefit First REIT through higher variable rent and potential capital appreciation.

### **3.4 The Yogyakarta Transaction would enable First REIT to grow through the acquisition of a hospital which enhances the diversification of First REIT's portfolio across locations and medical specialisations**

SHYG is located in Indonesia in which First REIT already operates and is an extension of First REIT's Existing Portfolio.

SHYG will be the most modern and well-equipped facility in the whole of Yogyakarta. It is fitted with the 1.5 Tesla MRI Unit, 128-slice CT scanner, Digital X-ray machine, 4-Dimension USG and Computed Radiography, a highly advanced Cath-Lab unit and 3-Dimension Echocardiography, among others. It is a Centre of Excellence for Neuroscience and Cardiology, while various specialties offered include Cardiology, Dentistry, Dermatology, ENT, General Surgery, Haemodialysis, Internal Medicine, Neurology, Ophthalmology, Orthopaedic Surgery, Paediatrics, O&G, Medical Rehabilitation & Physiotherapy, Radiology, Trauma and Urology.

SHYG is centrally located in Yogyakarta, within the Gondokusuman District. It is situated along Jalan Laksda Adi Sucipto, co-located with many commercial developments of complementary uses and is approximately five kilometres away from the Adisucipto International Airport. The Property is also highly accessible via public and private transportation.

Being located in Indonesia's Outside Central Region, the Joint Acquisition will enhance First REIT's competitive advantage and presence in Indonesia's Outside Central Region.

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23 "Enlarged Portfolio" consists of SHYG and the Existing Portfolio.

24 "Deposited Property" refers to the gross assets of First REIT, including First REIT's properties and authorised investments for the time being held or deemed to be held upon the trusts under the Trust Deed.

The above qualities of SHYG are expected to enhance the diversification of First REIT's portfolio across locations and medical specialisations.

### **3.5 Increase in attractiveness of the Enlarged Portfolio given that the Property is newly refurbished and will reduce the weighted average age of the properties in the Enlarged Portfolio**

As at 31 December 2016, the weighted average age of properties of the Enlarged Portfolio will decrease by about 5.94% from approximately 10.1 years from that of the Existing Portfolio to approximately 9.5 years after the completion of the Yogyakarta Transaction.

## **4. MAJOR TRANSACTIONS**

### **4.1 Major Transactions – Chapter 10 of the Listing Manual**

A proposed acquisition by First REIT may fall into any of the categories set out in Rule 1004 of the Listing Manual depending on the size of the relative figures computed on the following bases of comparison as stated in Rule 1006 of the Listing Manual:

- (i) the net asset value of the assets to be disposed of, compared with net asset value (not applicable to the Yogyakarta Transaction);
- (ii) the net profits attributable to the assets acquired, compared with First REIT's net profits;
- (iii) the aggregate value of the consideration given, compared with First REIT's market capitalisation; and
- (iv) the number of equity securities issued as consideration for an acquisition, compared with the number of equity securities previously in issue (not applicable to the Yogyakarta Transaction).

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a "major transaction" under Rule 1014 of the Listing Manual which would be subject to the approval of First REIT Unitholders, unless such transaction is in the ordinary course of First REIT's business.

None of the relative figures in relation to the SHYG Acquisition pursuant to the Yogyakarta Transaction computed on the bases set out above exceed 20.0%. Furthermore, the Joint Acquisition is not a major transaction under Chapter 10 of the Listing Manual as it is within First REIT's ordinary course of business.

However, for the purposes of illustration to First REIT Unitholders, the relative figures for the SHYG Acquisition pursuant to the Yogyakarta Transaction using the applicable bases of comparison described in sub-paragraphs 4.1(ii) and 4.1(iii) are set out in the table below.

Comparison of:	SHYG	First REIT	Relative Figure
Net Property Income <sup>(1)</sup>	SHYG: S\$2.33 million <sup>(2)</sup>	S\$105.84 million <sup>(3)</sup>	2.20%
SHYG Purchase Consideration against First REIT's market capitalisation	SHYG: S\$27.0 million <sup>(4)</sup>	First REIT's market capitalisation: S\$1,054.53 million <sup>(5),(6)</sup>	2.56%

**Notes:**

- (1) In the case of a real estate investment trust, the Net Property Income is a close proxy to the net profits attributable to its assets. "Net Property Income" consists of contracted rent under the master lease agreements in relation to the Enlarged Portfolio which comprises Gross Rental Income (where applicable) less other property expenses (where applicable).
- (2) Based on an assumed annual net rental of approximately S\$2.43 million under the SHYG Master Lease, less property expenses.
- (3) Based on the FY2016 Audited Consolidated Financial Statements.
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$1.355 per Unit on the SGX-ST on the date preceding this announcement.
- (6) Based on Units in issue as at the date preceding this announcement.

## 5. PRO FORMA FINANCIAL EFFECTS OF THE JOINT ACQUISITION

### 5.1 Pro Forma Financial Effects of the Joint Acquisition

**FOR ILLUSTRATIVE PURPOSES ONLY:**

**The Pro Forma Financial Effects are for illustrative purposes and does not represent First REIT's Financial Effects following completion of the Yogyakarta Transaction.**

The pro forma financial effects of the Joint Acquisition presented below are **strictly for illustrative purposes only** and were prepared based on the FY2016 Audited Consolidated Financial Statements and the unaudited consolidated financial statements of First REIT and its subsidiaries for the six-month period ended 30 June 2017 ("**6M2017**") and assuming:

- (a) the SHYG Acquisition Cost, comprising the SHYG Purchase Consideration, the SHYG Acquisition Fee, as well as the professional and other fees and expenses, is S\$27.9 million, of which S\$27.6 million will be paid in cash and the balance of S\$0.27 million by way of issued Units;
- (b) S\$27.6 million of the cash component of the SHYG Acquisition Cost is funded by proceeds from bank loan;
- (c) an assumed issued price of S\$1.3459 for the management fee and acquisition fee payable to Manager paid in the form of new Units issued;
- (d) the accounting policies and methods of computation applied to the pro forma financials are consistent to those applied in the audited financial statements for the financial year ended 31 December 2016 and the accounting standards applicable to the date of the announcement;
- (e) the rental amount of SHYG is S\$2.43 million (Rp. 23.81 billion), and the SHYG Master Lease Agreement provides for First REIT to receive the equivalent amount of Singapore dollars (i.e. S\$2.43 million). As such, there will be no foreign

exchange difference for the period as it cannot be reasonably estimated despite the existence of this forward rate. Hence, the fair value of this forward foreign exchange factor is not accounted for; and

- (f) the SHYG purchase consideration will be paid in cash via bank loan and the cost of debt is assumed to be 4.50% per annum.

## 5.2 FY2016

### Pro Forma DPU

The pro forma financial effects of the Yogyakarta Transaction on the distribution per Unit (“DPU”) for FY2016, as if First REIT had purchased SHYG on 1 January 2016, and held and operated SHYG through to 31 December 2016, are as follows:

	FY2016	
	Before the Yogyakarta Transaction <sup>(1)</sup>	After the Yogyakarta Transaction
Distributable Income (S\$'000) <sup>(2)</sup>	65,248	65,656
Units in issue and to be issued <sup>(2), (3)</sup>	772,320,491	772,582,991
DPU (cents) <sup>(2)</sup>	8.47	8.50

**Notes:**

- (1) Based on the FY2016 Audited Consolidated Financial Statements.  
(2) The Units in issue and to be issued do not include the 5,931,557 Units issued from 1 January 2017 to the date preceding the date of this announcement.  
(3) The number of Units is arrived at after taking into account the issuance of the 200,609 Units in payment of the Yogyakarta Acquisition Fee and 61,891 Units in payment of management fee at the assumed issued price of S\$1.3459 per Unit, being the weighted average traded price for the 10 Market Days before the date of this announcement.

### Pro Forma NAV per Unit

The pro forma financial effects of the Yogyakarta Transaction on the net asset value (“NAV”) per Unit as at 31 December 2016, as if First REIT had purchased SHYG on 31 December 2016, are as follows:

	As at 31 December 2016	
	Before the Yogyakarta Transaction <sup>(1)</sup>	After the Yogyakarta Transaction
NAV (S\$'000)	777,701	777,573
Units in issue and to be issued <sup>(2), (3)</sup>	771,579,482	771,841,982 <sup>(2)</sup>
NAV per Unit (cents)	100.79	100.74 <sup>(3)</sup>

**Note:**

- (1) Based on the FY2016 Audited Consolidated Financial Statements.  
(2) The Units in issue and to be issued do not include the 6,672,566 Units issued from 1 January 2017 to the date preceding the date of this announcement.

- (3) The number of Units is arrived at after taking into account the issuance of the 200,609 Units in payment of the Yogyakarta Acquisition Fee and 61,891 Units in payment of management fee at the assumed issued price of S\$1.3459 per Unit, being the weighted average traded price for the 10 Market Days before the date of this announcement.

### Pro Forma capitalisation

The following table sets forth the pro forma capitalisation of First REIT as at 31 December 2016, as if First REIT had purchased SHYG on 31 December 2016.

	<b>As at 31 December 2016</b>	
	<b>Actual<sup>(1)</sup></b>	<b>As adjusted for the Yogyakarta Transaction</b>
	(S\$'000)	(S\$'000)
<b>Short-term debt:</b>		
Unsecured	-	-
Secured	141,967	141,967
<b>Total short-term debt</b>	<b>141,967</b>	<b>141,967</b>
<b>Long-term debt:</b>		
Unsecured	109,564	109,564
Secured	162,078	191,649
<b>Total long-term debt</b>	<b>271,642</b>	<b>301,213</b>
<b>Total Debt</b>	<b>413,609</b>	<b>443,180</b>
Unitholders funds	777,701	777,573
Perpetual securities holders' fund	60,878	60,878
<b>Total Capitalisation</b>	<b>1,252,188</b>	<b>1,281,631</b>

**Note:**

(1) Based on the FY2016 Audited Consolidated Financial Statements.

### 5.3 6M2017

#### Pro Forma DPU

The pro forma financial effects of the Yogyakarta Transaction on the DPU for 6M2017, as if First REIT had purchased SHYG on 1 January 2017, and held and operated SHYG through to 30 June 2017, are as follows:

	<b>6M2017</b>	
	<b>Before the Yogyakarta Transaction<sup>(1)</sup></b>	<b>After the Yogyakarta Transaction</b>
Distributable Income (S\$'000) <sup>(2)</sup>	33,235	33,437
Units in issue and to be issued <sup>(2)</sup>	778,252,048	778,514,548
DPU (cents) <sup>(2)</sup>	4.28	4.30



**Notes:**

- (1) Based on the 6M2017 Unaudited Consolidated Financial Statements.
- (2) The number of Units is arrived at after taking into account the issuance of the 200,609 Units in payment of the Yogyakarta Acquisition Fee and 61,891 Units in payment of management fee at the assumed issued price of S\$1.3459 per Unit, being the weighted average traded price for the 10 Market Days before the date of this announcement.

**Pro Forma NAV per Unit**

The pro forma financial effects of the Yogyakarta Transaction on the NAV per Unit as at 30 June 2017, as if First REIT had purchased SHYG on 30 June 2017, are as follows:

	<b>As at 30 June 2017</b>	
	<b>Before the Yogyakarta Transaction<sup>(1)</sup></b>	<b>After the Yogyakarta Transaction</b>
NAV (S\$'000)	780,032	779,904
Units in issue and to be issued <sup>(2), (3)</sup>	776,821,859	777,084,359 <sup>(2)</sup>
NAV per Unit (cents)	100.41	100.36 <sup>(3)</sup>

**Note:**

- (1) Based on the 6M2017 Unaudited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 1,430,189 Units issued from 1 July 2017 to the date preceding the date of this announcement.
- (3) The number of Units is arrived at after taking into account the issuance of the 200,609 Units in payment of the Yogyakarta Acquisition Fee and 61,891 Units in payment of management fee at the assumed issued price of S\$1.3459 per Unit, being the weighted average traded price for the 10 Market Days before the date of this announcement.

**Pro Forma capitalisation**

The following table sets forth the pro forma capitalisation of First REIT as at 30 June 2017, as if First REIT had purchased SHYG on 30 June 2017.

	<b>As at 30 June 2017</b>	
	<b>Actual<sup>(1)</sup></b>	<b>As adjusted for the Yogyakarta Transaction</b>
	(S\$'000)	(S\$'000)
<b>Short-term debt:</b>		
Unsecured	-	-
Secured	241,073	241,073
Total short-term debt	241,073	241,073
<b>Long-term debt:</b>		
Unsecured	109,638	109,638
Secured	62,801	92,372
Total long-term debt	172,439	202,010

Total Debt	413,512	443,083
Unitholders funds	780,032	779,904
Perpetual securities holders' fund	60,850	60,850
<b>Total Capitalisation</b>	<b>1,254,394</b>	<b>1,283,837</b>

**Note:**

(1) Based on the FY2016 Audited Consolidated Financial Statements.

## 6. OTHER INFORMATION

### 6.1 Interests of Directors and Substantial Unitholders<sup>25</sup>

#### 6.1.1 Interests of Directors of the Manager

As at the date of this announcement, the details of the unitholdings of the directors of the Manager ("**Directors**") are as follows:

Name of Directors	Direct Interest		Deemed Interest		Total no. of Units held	% <sup>(1)</sup>
	No. of Units	% <sup>(1)</sup>	No. of Units	% <sup>(1)</sup>		
Mr Carl Gabriel Florian Stubbe	-	-	-	-	-	-
Mr Tan Chuan Lye	-	-	-	-	-	-
Mr Wong Gang	-	-	-	-	-	-
Mr Ketut Budi Wijaya	-	-	-	-	-	-
Mr Tan Kok Mian Victor	51,755	0.0067	-	-	51,755	0.0067

**Notes:**

(1) Percentage interest is based on 778,252,048 Units in issue as at the date of this announcement.

Mr Ketut Budi Wijaya is also a non-independent non-executive director of the LMIR Trust Manager. Save as disclosed above and based on information available to the Manager, none of the directors has an interest, direct or indirect, in the Yogyakarta Transaction.

<sup>25</sup> "**Substantial Unitholders**" refers to First REIT Unitholders with an interest in more than 5.0% of all Units in issue.

### 6.1.2 Interests of Substantial Unitholders

As at the date of this announcement, the details of the unitholdings of the Substantial Unitholders are as follows:

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	%( <sup>1</sup> )
	No. of Units	%( <sup>1</sup> )	No. of Units	%( <sup>1</sup> )		
Bridgewater International Ltd	167,187,367	21.84	-	-	167,187,367	21.48
Bowsprit Capital Corporation Limited	48,201,040	6.19	-	-	48,201,040	6.19
PT Sentra Dwimandiri <sup>(2)</sup>	-	-	167,187,367	21.48	167,187,367	21.48
The Sponsor <sup>(3)</sup>	-	-	239,626,671	30.79	239,626,671	30.79

**Notes:**

- (1) Percentage interest is based on 778,252,048 Units in issue as at the date of this announcement.
- (2) PT Sentra Dwimandiri is deemed to be interested in the Units held by its subsidiary, Bridgewater International Ltd (please see table above).
- (3) The Sponsor is deemed to be interested in (i) the Units held by its indirect wholly-owned subsidiary, Bridgewater International Ltd; (ii) 24,238,264 Units held by its indirect wholly-owned subsidiary, PT Menara Tirta Indah; and (iii) the Units held by Bowsprit Capital Corporation Limited (please see table above).

As at the date of this announcement, the Sponsor, through its indirect wholly-owned subsidiaries Bridgewater International Ltd and PT Menara Tirta Indah and through its 100.0% interest in the Manager, holds an aggregate indirect interest of 30.79% in First REIT and is deemed to be a Controlling Unitholder of First REIT.

### 6.2 Directors' Service Contracts

No person is proposed to be appointed as a Director in relation to the Yogyakarta Transaction or any other transactions contemplated in relation to the Yogyakarta Transaction.

### 6.3 Existing Interested Person Transactions

Prior to the date of this announcement, the only Interested Person Transaction between First REIT and the Sponsor and/or its associates in the current financial year is the acquisition and master leases of Siloam Hospitals Buton & Lippo Plaza Buton, which received specific Unitholders' approval on 21 September 2017

### 6.4 Opinion of the Audit Committee and Independent Financial Adviser

Pursuant to Rule 917(4)(a)(ii) of the Listing Manual, the audit committee of the Manager, comprising Mr Tan Chuan Lye, Mr Wong Gang and Mr Carl Gabriel Florian Stubbe (the "**Audit Committee**"), will obtain an opinion from Stirling Coleman Capital Limited, the independent financial adviser (the "**IFA**"), on whether or not the Yogyakarta Transaction (including the terms of the SHYG Master Lease as a whole, such as the Base Rent and variable rent and the LPJ Master Leases) are (a) on normal commercial terms and (b) prejudicial to the interests of First REIT and its minority Unitholders.

The Audit Committee will form its views on the Yogyakarta Transaction after taking into account the opinion of the IFA.

## **7. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 50 Collyer Quay, #06-01, OUE Bayfront, Singapore 049321 from the date of this announcement up to and including the date falling three months after the date of the First REIT Unitholders' Circular to be issued for purposes of seeking approval of First REIT Unitholders for the Transactions<sup>26</sup>:

- (i) the Property CSPA (which contains the forms of the LPJ Master Lease Agreements and the SHYG Master Lease Agreement);
- (ii) the JV Deed;
- (iii) the Deed of Indemnity;
- (iv) the full valuation report on the Property issued by W&R;
- (v) the full valuation report on the Property issued by Rengganis;
- (vi) Indonesia Healthcare Market Review Report by Frost & Sullivan;
- (vii) the FY2016 Audited Consolidated Financial Statements;
- (viii) the 6M2017 Unaudited Consolidated Financial Statements; and
- (ix) the IFA letter from the IFA.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as First REIT continues to be in existence.

## **8. DOCUMENTS FOR INSPECTION**

The Unitholders' Circular, together with a notice of the EGM to be convened, will be despatched to First REIT Unitholders in due course after approval has been received from the SGX-ST in relation to the Unitholders' Circular.

By Order of the Board

Mr Tan Kok Mian Victor  
Executive Director and Chief Executive Officer  
Bowsprit Capital Corporation Limited  
(as manager of First Real Estate Investment Trust)  
(Company registration no. 200607070D)

13 October 2017

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<sup>26</sup> Prior appointment with the Manager (telephone: +65 6435 0168) will be appreciated.

**Important Notice**

The value of Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors 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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

This document may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's view of future events.