



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

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**PROPOSED ACQUISITION OF 12 NURSING HOMES LOCATED IN JAPAN AND  
THE PROPOSED SETTLEMENT IN RESPECT OF THE TERMINATED DEVELOPMENT WORKS  
ADJACENT TO SILOAM HOSPITALS SURABAYA**

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**1. INTRODUCTION**

**1.1 The Proposed Acquisition of 12 Nursing Homes Located in Japan, as an Interested Person Transaction**

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**”), wishes to announce that Perpetual (Asia) Limited, in its capacity as trustee of First REIT (the “**Trustee**”), has on 7 December 2021 entered into a sale and purchase agreement (the “**JMF Sale and Purchase Agreement**”) with OUE Lippo Healthcare Limited (“**OUELH**”) for the proposed acquisition from OUELH by the Trustee of 100.0% of the issued and paid-up share capital of OUELH Japan Medical Facilities Pte. Ltd. (“**JMF**”, and 100.0% of the issued and paid-up share capital of JMF, the “**JMF Sale Shares**”), which owns a 100.0% interest in 12 nursing homes located in Japan (the “**Japan Nursing Homes**”), for an aggregate purchase consideration of approximately S\$163.2 million (subject to post-completion adjustments) (the “**JMF Purchase Consideration**”) (the “**Proposed JMF Acquisition**”).

In addition, the Trustee has also on 7 December 2021 entered into a sale and purchase agreement (the “**JMA Sale and Purchase Agreement**”) with OUELH for the proposed acquisition from OUELH by the Trustee of 100.0% of the issued and paid-up share capital of OUELH Japan Medical Assets Pte. Ltd. (“**JMA**”, and 100.0% of the issued and paid-up share capital of JMA, the “**JMA Sale Shares**”) for a purchase consideration of approximately S\$0.3 million (subject to post-completion adjustments) (the “**JMA Purchase Consideration**”, and together with the JMF Purchase Consideration, the “**Purchase Consideration**”) (the “**Proposed JMA Acquisition**”, and together with the Proposed JMF Acquisition, the “**Proposed Acquisition**”).

**1.2 The Proposed Settlement in Respect of the Terminated Development Works Adjacent to Siloam Hospitals Surabaya, as an Interested Person Transaction**

Background

As announced previously, First REIT had sold a portion of the land adjacent to Siloam Hospitals Surabaya to PT Saputra Karya (“**PT SK**”) (which is an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk (“**LPKR**”)) in connection with the development works to develop a new hospital (the “**Development Works**”), pursuant to a development works agreement entered into between PT Tata Prima Indah (“**PT TPI**”) (which is an indirect wholly-owned subsidiary of First

REIT) and PT SK (the “**Development Works Agreement Parties**”) on 20 October 2015 (the “**Development Works Agreement**”). The new hospital to be developed was to be a new healthcare facility. The road subsidence that took place on 18 December 2018 along Jalan Gubeng, Surabaya, which is in close proximity to Siloam Hospitals Surabaya (the “**Road Subsidence**”), had had a serious impact on the Development Works, which were no longer progressing. Pursuant to the Development Works Agreement, PT TPI had the right to terminate the Development Works Agreement in the event the Development Works remained uncompleted by 28 June 2020. 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.

#### Amounts to Which PT TPI is Entitled

Pursuant to the Development Works Agreement, PT TPI is entitled to be paid S\$27,000,000.00 (being the aggregate of the progress payments which PT TPI has made to PT SK as at 7 December 2021 under the Development Works Agreement (the “**Progress Payments**”), the interest which PT TPI is entitled to be paid on the Progress Payments from 28 June 2019 to 27 June 2020 amounting to an aggregate of S\$2,688,164.38 (the “**Interest**”), as well as the sum of S\$918,093.60 (being the aggregate of the reasonable costs, fees, expenses and other payments which the Trustee has incurred on behalf of PT TPI under the Development Works Agreement as at 28 June 2020 (the “**Project Expenses**”). As the Trustee has paid and incurred the Project Expenses on behalf of PT TPI in the course of the Development Works, PT TPI has designated the payment of the Project Expenses to be made directly to the Trustee.

#### The Proposed Settlement

The Manager wishes to announce that on 7 December 2021, PT TPI has entered into a settlement agreement with PT SK to provide for the full and final settlement of any and all claims which PT TPI may have against PT SK in respect of the Progress Payments and the Interest (the “**Progress Payments Settlement Agreement**”). In addition, on 7 December 2021, PT TPI, PT SK and the Trustee have entered into a settlement agreement to provide for the full and final settlement of any and all claims which PT TPI may have against PT SK in respect of the Project Expenses incurred by the Trustee on behalf of PT TPI (the “**Project Expenses Settlement Agreement**”, and together with the Progress Payments Settlement Agreement, the “**Settlement Agreements**”).

For the purposes of this Announcement, the “**Proposed Settlement**” refers to the proposed full and final settlement of any and all claims which PT TPI may have against PT SK in respect of the Progress Payments, the Interest and the Project Expenses.

## **2. THE PROPOSED ACQUISITION OF 12 NURSING HOMES LOCATED IN JAPAN**

### **2.1 Description of the Japan Nursing Homes**

The Japan Nursing Homes is a portfolio of 12 quality nursing homes located across Japan in Hokkaido, Nagano, Nara and Kyoto. With over 90% average occupancy<sup>1</sup> as at 31 December 2020 across approximately 1,451 units, all 12 nursing homes are middle- to high-end facilities with communal facilities such as lounges, restaurants and other community spaces. The nursing homes are professionally operated by local Japanese operators that provide daily services, medical consultation services, leisure and entertainment programmes as well as nursing care, including special meal preparation, provision of functional training and toilet and bathing assistance.

Please refer to Appendix A to this Announcement for a summary of selected information on the Japan Nursing Homes as at 29 October 2021, unless otherwise stated.

### **2.2 Certain Details of the Master Lease Agreements in Respect of the Japan Nursing Homes**

Save for Varus Cuore Sapporo-Kita Annex, each of the Japan Nursing Homes has a 30-year master lease, which commenced from 25 April 2013<sup>2</sup>.

Under the terms of each of the master lease agreements in respect of the Japan Nursing Homes (the “**Master Lease Agreements**”), the annual rent shall be a fixed amount, save that such annual rent may be revised every two years<sup>3</sup> or three years<sup>4</sup> upon negotiation based on the increase in Japan’s consumer price index and interest rates. The rent may not be reduced unless certain requirements under Article 32 of the Act on Land and Building Leases<sup>5</sup> are met.

Under the terms of each of the Master Lease Agreements, the relevant master lessee is required to pledge to the lessor a rental deposit for an amount equal to six months<sup>3</sup> or four months<sup>4</sup> of the monthly rent payable by the relevant master lessee in accordance with the terms of the relevant Master Lease Agreement.

Under the terms of each of the Master Lease Agreements, the master lessee may terminate the lease by giving 12 months’ notice at any time after the relevant non-cancellation date. Unless terminated earlier, the lease expiry date under each of the Master Lease Agreements is 24 April 2043. If neither party indicates an intention to terminate at least six months prior to the respective lease expiry dates, the lease term shall be renewed for a further five years.

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- 1 The average occupancy rate refers to the number of units occupied in the Japan Nursing Homes. The Japan Nursing Homes are 100% master leased to independent local operators (Source: OUELH Annual Report 2020).
  - 2 The master lease in respect of Varus Cuore Sapporo-Kita Annex commenced on 30 September 2014 with a lease expiry date of 24 April 2043.
  - 3 In the case of Hikari Heights Varus Ishiyama, Hikari Heights Varus Tsukisamu-Koen, Hikari Heights Varus Fujino, Hikari Heights Varus Kotoni, Hikari Heights Varus Makomanai-Koen, Varus Cuore Yamanote and Varus Cuore Sapporo-Kita & Annex.
  - 4 In the case of Elysion Gakuenmae, Elysion Mamigaoka & Elysion Mamigaoka Annex, Orchard Amanohashidate, Orchard Kaichi North and Orchard Kaichi West.
  - 5 Article 32 of the Act on Land and Building Leases states that a lessee may request a future decrease in the rent where the building rent becomes unreasonable, as a result of the increase or decrease in tax and other burden or fall in property price, or fluctuations in other economic areas exist.

Under the terms of each of the Master Lease Agreements, if the master lessee falls under any one of a list of specified events<sup>1</sup> and has not cured such breach within a specified period set out under the Master Lease Agreements after it has received notice from the relevant lessor requiring the relevant master lessee to cure such breach, the relevant lessor may cancel the relevant Master Lease Agreement by giving written notice to the relevant master lessee.

Under the terms of each of the Master Lease Agreements, the master lessee has a priority negotiation right to purchase the relevant Japan Nursing Home in accordance with the terms of the relevant Master Lease Agreement. In the case where OUELH TMK (Japan) (as defined in paragraph 2.3 of this Announcement) as lessor under each of the Master Lease Agreements intends to sell the relevant Japan Nursing Home to third parties except for certain related parties set out in the Master Lease Agreements<sup>2</sup>, OUELH TMK (Japan) shall notify the relevant master lessee of such intention and provide the relevant master lessee with exclusive negotiation rights to purchase the relevant Japan Nursing Home for one month.

Please refer to Appendix B to this Announcement for a summary of certain details of the Master Lease Agreements as at 29 October 2021, unless otherwise stated.

## 2.3 Structure of the Proposed Acquisition

It is proposed that First REIT will acquire a 100.0% interest in the Japan Nursing Homes through the acquisition by the Trustee of the JMF Sale Shares from OUELH.

JMF is a private company limited by shares incorporated in Singapore on 3 January 2013. JMF indirectly owns the Japan Nursing Homes, which are leased to independent nursing home operators, through OUELH Japan First *Tokutei Mokuteki Kaisha* ("**OUELH TMK (Japan)**"). OUELH TMK (Japan) holds the Japan Nursing Homes, as well as acts as lessor under the Master Lease Agreements entered into with the various local Japanese operators of the Japan Nursing Homes that provide daily services, medical consultation services, leisure and entertainment programmes as well as nursing care, including special meal preparation, provision of functional training and toilet and bathing assistance.

*Tokutei Mokuteki Kaisha* ("**TMK**") refers to a special purpose company established under the Act on Securitization of Assets of Japan ("**Securitization Law**"), which is entitled to reduced tax rates (upon the acquisition of a real estate) provided certain criteria are met. A TMK can also constitute a tax pay-through entity (i.e., a taxable entity which can deduct dividends paid from its taxable income) if certain criteria are satisfied.

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- 1 Such specified events include, among others, the failure of a master lessee to pay the relevant rent set out in the relevant Master Lease Agreement for two months or more, the failure of a master lessee to pay the rental deposit set out in the relevant Master Lease Agreement and a master lessee having otherwise breached a provision of the relevant Master Lease Agreement.
  - 2 In the case where the purchaser is (a) any entity into which International Healthway Corporation Limited (now known as OUE Lippo Healthcare Limited), Capbridge K.K. or Cryxis K.K. or their affiliate will make, directly or indirectly, an investment (regardless of the form of the investment) or (b) any entity the assets of which will be managed by International Healthway Corporation Limited (now known as OUE Lippo Healthcare Limited), Capbridge K.K. or Cryxis K.K. or their affiliate, including but not limited to any Singapore REIT managed, invested or sponsored by International Healthway Corporation Limited (now known as OUE Lippo Healthcare Limited) or its affiliates, the lessor may sell the property without providing exclusive negotiation rights under the terms of the Master Lease Agreements to the master lessee.

In order to be a tax-qualifying TMK, the shareholding structure of OUELH TMK (Japan) is as follows:

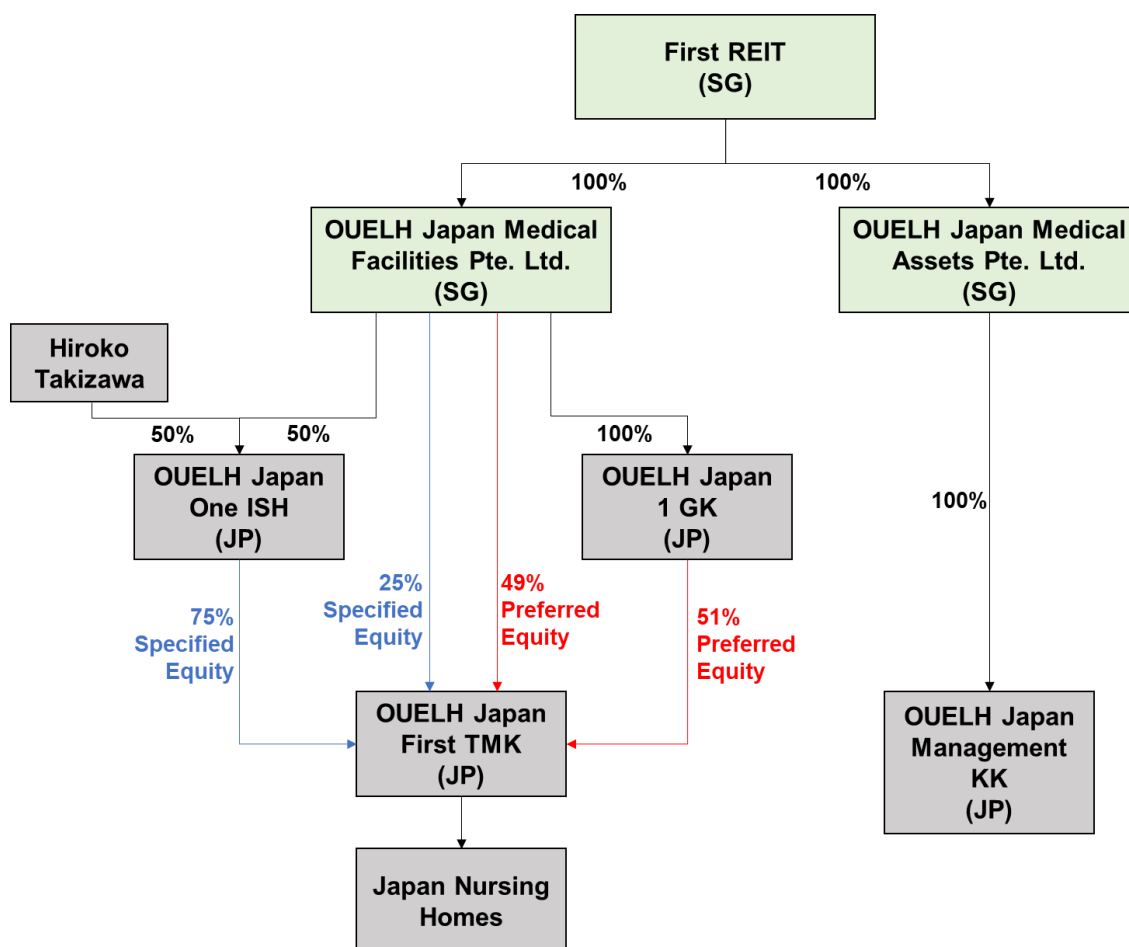
- (i) 75.0% of the specified equities<sup>1</sup> in OUELH TMK (Japan) are held by OUELH Japan One *ippan shadan hojin* (“**OUELH ISH (Japan)**”), which is a bankruptcy remote entity<sup>2</sup> established solely to act as a holder of the specified equities of OUELH TMK (Japan). OUELH ISH (Japan) has no potential income, loss or net worth. As at the date of this Announcement, JMF and Ms. Hiroko Takizawa, who is the representative director of OUELH ISH (Japan), each hold 50.0% of the issued and paid-up capital of OUELH ISH (Japan). Ms. Hiroko Takizawa is an independent professional third party member of OUELH ISH (Japan). Ms. Hiroko Takizawa and JMF, as the members of OUELH ISH (Japan), each have an equal voting right at OUELH ISH (Japan);
- (ii) 51.0% of the preferred equities<sup>3</sup> in OUELH TMK (Japan) are held by OUELH Japan 1 *godo kaisha* (“**OUELH GK (Japan)**”), and together with JMF, OUELH TMK (Japan) and OUELH ISH (Japan), the “**JMF Group Companies**”), which is a limited liability company established under the Company Act of Japan. As at the date of this Announcement, JMF holds 100.0% of the issued and paid-up capital of OUELH GK (Japan); and
- (iii) the remaining 25.0% of the specified equities and 49.0% of the preferred equities of OUELH TMK (Japan) are held by JMF.

In addition, it is proposed that First REIT will also acquire the JMA Sale Shares from OUELH as part of the Proposed Acquisition.

JMA is a private company limited by shares incorporated in Singapore on 2 October 2014. JMA in turn holds 100.0% of the total issued and paid-up capital in OUELH Japan Management Co., Ltd. (“**HJKK**”), a *kabushiki kaisha* company incorporated in Japan. JMA is part of the ownership holding structure for the Japan Nursing Homes as HJKK has issued interest-bearing bonds to OUELH TMK (Japan) to facilitate the repatriation of the net rental income of the Japan Nursing Homes.

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- 1 The equivalent of ordinary shares. The holders of specified equities are subordinated to the holders of the preferred equities in the distributions of the dividends from and at the time of winding-up, the residual assets of, the TMK. Usually, no dividend is distributed to the specified equity holders. Under the Securitization Law, the holders of the specified equities are entitled to vote at the general meetings of the equity holders. The transfer of a specified equity is subject to the approval of the TMK.
  - 2 This refers to an entity formed to own a specific asset (which, in the case of OUELH ISH (Japan), would be the specified equities) while isolating financial risk and minimising bankruptcy risk. It is typically prohibited from incurring debt and is limited in its purpose and the activities in which it may engage (which, in the case of OUELH ISH (Japan), is to own the specified equities). Often, a person who is independent from an owner of the entity will take a seat of the governance of the entity so that the entity may not be affected by the bankruptcy risk of the owner.
  - 3 The equivalent of preference shares, designed for investment by investors. The holders of preferred equities have the priority over the holders of the specified equities in the distributions of the dividends from and at the time of winding-up, the residual assets of, the TMK. Under the Securitization Law, except otherwise provided by law or the articles of incorporation of the TMK, the holders of the preferred equities are not entitled to vote at the general meeting of the equity holders. The restriction on the transfer of the preferred equity is prohibited.

The diagram below sets out the relationship between the various parties following completion of the Proposed Acquisition.



## 2.4 Purchase Consideration and Valuation

The Trustee has commissioned an independent valuer, Cushman & Wakefield K.K. (“**CWKK**”), and the Manager has commissioned an independent valuer, CBRE K.K (“**CBRE**”), to respectively value each of the Japan Nursing Homes.

The agreed purchase price for the Japan Nursing Homes, which was negotiated on a willing-buyer and willing-seller basis with reference to the independent valuations by CWKK and CBRE (the “**Independent Valuers**”), is JPY24,213 million (the “**Agreed Purchase Price for the Japan Nursing Homes**”) and is a discount of 2.9% to the aggregate of the averages of the two independent valuations of each Japan Nursing Home<sup>1</sup> of JPY24,926 million as at 29 October 2021.

In arriving at the open market value of each of the Japan Nursing Homes, the Independent Valuers relied on the income approach utilising the discounted cash flow method. This approach considers the Japan Nursing Homes as income producing properties.

<sup>1</sup> Please refer to Appendix A to this Announcement, which sets out a comparison of the Agreed Purchase Price for the Japan Nursing Homes against the two independent valuations in respect of each of the Japan Nursing Homes.

The JMF Purchase Consideration is estimated to be approximately S\$163.2 million (subject to post-completion adjustments) based on the adjusted net asset value (“NAV”) of JMF as at completion of the Proposed JMF Acquisition, taking into account the Agreed Purchase Price for the Japan Nursing Homes.

The JMA Purchase Consideration is estimated to be approximately S\$0.3 million (subject to post-completion adjustments) based on the adjusted NAV of JMA as at completion of the Proposed JMA Acquisition.

## **2.5 Novation of Intercompany Balances**

As at 30 September 2021, there were certain intercompany balances and other amounts between OUELH and the JMF Group Companies (the “**JMF Intercompany Balances**”), of which the net amount owed by OUELH to the JMF Group Companies was S\$9,477,225. At the completion of the Proposed JMF Acquisition, OUELH shall novate all of its rights, interests, obligations and liabilities under the JMF Intercompany Balances to the Trustee (the “**JMF Intercompany Balances Novation**”), and the Trustee shall assume all of such rights, interests, obligations and liabilities from OUELH under the JMF Intercompany Balances on and subject to the terms of the JMF Sale and Purchase Agreement and the novation deeds in respect of the JMF Intercompany Balances Novation.

The total consideration payable by OUELH to the Trustee for the JMF Intercompany Balances Novation shall be the sum of S\$9,477,225 and the net amount of any and all interest accruing to the relevant lender under the relevant JMF Intercompany Balances between 1 October 2021 and the completion of the Proposed JMF Acquisition, being the net amount owing by OUELH to the JMF Group Companies under the Intercompany Balances as at completion of the Proposed JMF Acquisition (the “**JMF Intercompany Balances Amount**”).

In addition, as at 30 September 2021, there were certain intercompany balances between OUELH or a subsidiary of OUELH and HJKK (the “**Initial JMA Intercompany Balances**”), of which the net amount owed by OUELH and the subsidiary of OUELH to HJKK was S\$6,784,368. On 1 November 2021, pursuant to a loan agreement between OUELH and JMA, a further S\$3,803,200 was owed by OUELH to JMA (the “**Further JMA Intercompany Balance**”, and together with the Initial JMA Intercompany Balances, the “**JMA Intercompany Balances**”). At the completion of the Proposed JMA Acquisition, OUELH shall novate, and shall procure the subsidiary of OUELH to novate, all of its rights, interests, obligations and liabilities under the JMA Intercompany Balances to the Trustee (the “**JMA Intercompany Balances Novation**”), and the Trustee shall assume all of such rights, interests, obligations and liabilities from OUELH and the subsidiary of OUELH under the JMA Intercompany Balances on and subject to the terms of the JMA Sale and Purchase Agreement, the JMF Sale and Purchase Agreement and the novation deeds in respect of the JMA Intercompany Balances Novation.

The total consideration payable by OUELH to the Trustee for the novation of the JMA Intercompany Balances shall be the sum of S\$6,784,368, the principal amount of the Further JMA Intercompany Balance of S\$3,803,200 and the net amount of any and all interest accruing to the relevant lender under the relevant JMA Intercompany Balances between 1 October 2021 and the completion of the Proposed JMA Acquisition, being the net amount owing by OUELH and the subsidiary of OUELH to JMA and HJKK under the JMA Intercompany Balances as at completion of the Proposed JMA Acquisition (the “**JMA Intercompany Balances Amount**”).

The obligation of OUELH to pay the JMF Intercompany Balances Amount and the JMA Intercompany Balances Amount shall be subject to net-off against the JMF Purchase Consideration payable in accordance with the terms of the JMF Sale and Purchase Agreement.

## **2.6 Estimated Total Acquisition Cost**

The estimated total cost of the Proposed Acquisition (the “**Total Acquisition Cost**”) is approximately S\$168.0 million, comprising:

- (i) the JMF Purchase Consideration of approximately S\$163.2 million;
- (ii) the JMA Purchase Consideration of approximately S\$0.3 million; and
- (iii) the estimated stamp duties, professional and other fees and expenses incurred or to be incurred by First REIT in connection with the Proposed Acquisition of approximately S\$4.5 million.

To demonstrate its support for the Proposed Acquisition, the Manager has elected to voluntarily waive the acquisition fee which would have been payable to the Manager for the Proposed Acquisition pursuant to the trust deed dated 19 October 2006 constituting First REIT, entered into between the Trustee and the Manager, as amended, varied or supplemented from time to time (the “**Trust Deed**”), which fee would otherwise have been approximately S\$3.0 million (being 1.0% of the Agreed Purchase Price for the Japan Nursing Homes).

## **2.7 Method of Financing**

The Manager intends to finance the Total Acquisition Cost, estimated to be approximately S\$168.0 million, through a combination of:

- (i) the proposed issue of new units in First REIT (“**Units**”) as partial consideration for the Proposed JMF Acquisition (“**Consideration Units**”) to OLH Healthcare Investments Pte. Ltd. (“**OHI**”) (being a wholly-owned subsidiary of OUELH), which has been nominated by OUELH as the vendor of the JMF Sale Shares to receive the Consideration Units;
- (ii) internal cash; and
- (iii) a net-off against the obligation of OUELH to pay the JMF Intercompany Balances Amount and the JMA Intercompany Balances Amount.

## **2.8 Principal Terms and Conditions of the JMF Sale and Purchase Agreement**

In connection with the Proposed JMF Acquisition, the Trustee has on 7 December 2021 entered into the JMF Sale and Purchase Agreement with OUELH to acquire the JMF Sale Shares.

The principal terms of the JMF Sale and Purchase Agreement include, among others:

- (i) the following conditions precedent:
  - (a) the passing at an extraordinary general meeting of OUELH of the resolutions to approve the proposed disposal of the JMF Sale Shares and the JMA Sale Shares;
  - (b) the passing at a general meeting of First REIT of a resolution to approve the Proposed Acquisition;

- (c) the passing at a general meeting of First REIT of a resolution to approve the issue of the Consideration Units as part payment of the consideration for the Proposed JMF Acquisition;
- (d) the receipt of a waiver from the Securities Industry Council ("**SIC**") of the obligation on OHI to make a mandatory offer under Rule 14 of The Singapore Code on Take-overs and Mergers (the "**Take-over Code**");
- (e) the passing at a general meeting of First REIT of a resolution by holders of Units ("**Unitholders**") other than OHI and parties acting in concert with OHI (the "**Concert Parties**") by way of a poll to waive their rights to receive a mandatory general offer under Rule 14 of the Take-over Code for Units not already owned or controlled by OHI and its Concert Parties (the "**Whitewash Resolution**");
- (f) the receipt of approval-in-principle of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Consideration Units, and there not having occurred any revocation, amendment or withdrawal of such approval and, if applicable, the conditions to such approval having been fulfilled on or before the date of completion of the Proposed JMF Acquisition;
- (g) subject to Clause 3.3 of the JMF Sale and Purchase Agreement, none of the Japan Nursing Homes and the Plant and Equipment (as defined in the JMF Sale and Purchase Agreement) of each of the Japan Nursing Homes are materially damaged;
- (h) the Vendor Warranties (as defined in the JMF Sale and Purchase Agreement) remaining true, accurate and not misleading in all material respects (or in the case of Vendor Warranties (as defined in the JMF Sale and Purchase Agreement) which are already qualified by materiality, true, accurate and not misleading in all respects) as at the date of completion of the Proposed JMF Acquisition;
- (i) the Purchaser Warranties (as defined in the JMF Sale and Purchase Agreement) remaining true, accurate and not misleading in all material respects (or in the case of Purchaser Warranties (as defined in the JMF Sale and Purchase Agreement) which are already qualified by materiality, true, accurate and not misleading in all respects) as at the date of completion of the Proposed JMF Acquisition;
- (j) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the proposed sale of the JMF Sale Shares and the JMA Sale Shares and the novation of the JMF Intercompany Balances and the JMA Intercompany Balances having been obtained by OUELH from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the Trustee and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect;
- (k) no statute, law, regulation or decision which would prohibit the sale and purchase of the JMF Sale Shares and the JMA Sale Shares or the novation of the JMF Intercompany Balances and the JMA Intercompany Balances or the operation of

any of the JMF Group Companies and/or any of the Japan Nursing Homes having been proposed, enacted or taken by any governmental or official authority;

- (l) the written consent in a form and on terms (if any) reasonably satisfactory to the Trustee from the Trustee's existing financiers in respect of the assumption by the Trustee of the Guarantee of Specified Indemnified Obligations (for Specified Bondholder) dated 29 May 2020 executed by OUELH in favour of Shinsei Bank Limited ("**Shinsei Bank**") (the "**Shinsei Bank Guarantee**");
  - (m) the written consent in a form and on terms (if any) reasonably satisfactory to the Trustee from Shinsei Bank in respect of:
    - (I) the novation of the Shinsei Bank Guarantee from OUELH to the Trustee or the termination of the Shinsei Bank Guarantee and the execution of a guarantee agreement by and between the Trustee and Shinsei Bank in the form and substance equivalent to the Shinsei Bank Guarantee (as the case may be);
    - (II) the change of the directors of OUELH TMK (Japan) (if applicable);
    - (III) the replacement of HJKK as the asset management company of OUELH TMK (Japan) with an asset management company agreed to by the Trustee; and
  - (n) the replacement of HJKK as the asset management company of OUELH TMK (Japan) with an asset management company agreed to by the Trustee and Shinsei Bank, the cessation of the asset management business of HJKK (including the cancellation, termination, assignment and/or novation of substantially all licenses and agreements (including employment agreements, the asset management agreement between OUELH TMK (Japan) and HJKK and amendment of the Project Agreement dated 29 May 2020 executed between OUELH TMK (Japan), Shinsei Bank and HJKK)), and, to the extent required, the entry into such agreements or deeds to evidence the JMA Intercompany Balances on terms satisfactory to the Trustee acting reasonably; and
- (ii) that OUELH shall:
- (a) repair the list of agreed defects to the Japan Nursing Homes as set out in the JMF Sale and Purchase Agreement (the "**Existing Defects**") within six months after completion of the Proposed JMF Acquisition (or such other time period as mutually agreed by OUELH and the Trustee) so that after such repair and/or replacement such Japan Nursing Home (the "**Repaired Property**") will be in its normal condition and function prior to the occurrence of such damage, subject to fair wear and tear; and
  - (b) for so long as the works to repair the Existing Defects ("**Defects Works**") are not completed and for the period commencing from (and including) the date of completion of the Proposed JMF Acquisition until the day:
    - (I) the Defects Works are substantially completed in compliance with the terms of the JMF Sale and Purchase Agreement;

- (II) the Repaired Property or the replaced portion or part are satisfactory and acceptable to the Trustee, acting reasonably; and
- (III) the Repaired Property is suitable for safe and orderly use,

all of the foregoing to be confirmed in writing by the Trustee, acting reasonably (the “**Compensation Period**”), pay to the Trustee by way of compensation an amount equivalent to any reduction or loss of the rental fees, service charge, deposit and other moneys which OUELH and the Trustee mutually agree in writing would otherwise have been received by the Trustee during the Compensation Period had the Repaired Property or any part thereof not been so damaged or destroyed (as the case may be) (“**Compensation Amount**”), provided that OUELH shall not be required to pay any Compensation Amount for the requisite duration of the Compensation Period where the Defects Works cannot be undertaken by OUELH or its representatives, agents or contractors through no fault of OUELH.

For the avoidance of doubt, nothing in this paragraph 2.8(ii) shall extend the obligation of OUELH to repair Existing Defects to the extent that any new or further damage and/or defects have occurred as a result of or are attributable to any force majeure event or through any act, omission, negligence or default of the Trustee or its servants, employees, agents, representatives or contractors.

## 2.9 Principal Terms and Conditions of the JMA Sale and Purchase Agreement

In connection with the Proposed JMA Acquisition, the Trustee has on 7 December 2021 entered into the JMA Sale and Purchase Agreement with OUELH to acquire the JMA Sale Shares.

The principal terms of the JMA Sale and Purchase Agreement include, among others, the following conditions precedent:

- (i) the passing at an extraordinary general meeting of OUELH of the resolutions to approve the proposed disposal of the JMA Sale Shares and the JMF Sale Shares;
- (ii) the passing at a general meeting of First REIT of a resolution to approve the Proposed Acquisition;
- (iii) the passing at a general meeting of First REIT of a resolution to approve the issue of the Consideration Units as part payment of the consideration for the Proposed JMF Acquisition;
- (iv) the receipt of a waiver from the SIC of the obligation on OHI to make a mandatory offer under Rule 14 of the Take-over Code;
- (v) the passing at a general meeting of First REIT of a resolution by Unitholders other than OHI and its Concert Parties by way of a poll to waive their rights to receive a mandatory general offer under Rule 14 of the Take-over Code for Units not already owned or controlled by OHI and its Concert Parties;
- (vi) the receipt of approval-in-principle of the SGX-ST for the listing of and quotation for the Consideration Units, and there not having occurred any revocation, amendment or

withdrawal of such approval and, if applicable, the conditions to such approval having been fulfilled on or before the date of completion of the Proposed JMA Acquisition;

- (vii) subject to clause 3.3 of the JMF Sale and Purchase Agreement, none of the Japan Nursing Homes and the Plant and Equipment (as defined in the JMA Sale and Purchase Agreement) of each of the Japan Nursing Homes are materially damaged;
- (viii) the Vendor Warranties (as defined in the JMA Sale and Purchase Agreement) remaining true, accurate and not misleading in all material respects (or in the case of Vendor Warranties (as defined in the JMA Sale and Purchase Agreement) which are already qualified by materiality, true, accurate and not misleading in all respects) as at the date of completion of the Proposed JMA Acquisition;
- (ix) the Purchaser Warranties (as defined in the JMA Sale and Purchase Agreement) remaining true, accurate and not misleading in all material respects (or in the case of Purchaser Warranties (as defined in the JMA Sale and Purchase Agreement) which are already qualified by materiality, true, accurate and not misleading in all respects) as at the date of completion of the Proposed JMA Acquisition;
- (x) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the proposed sale of the JMA Sale Shares and the JMF Sale Shares and the novation of the JMA Intercompany Balances and the JMF Intercompany Balances having been obtained by OUELH from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the Trustee and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect;
- (xi) no statute, law, regulation or decision which would prohibit the sale and purchase of the JMA Sale Shares and the JMF Sale Shares or the novation of the JMA Intercompany Balances and the JMF Intercompany Balances or the operation of any of the JMF Group Companies and/or any of the Japan Nursing Homes having been proposed, enacted or taken by any governmental or official authority;
- (xii) the written consent in a form and on terms (if any) reasonably satisfactory to the Trustee from the Trustee's existing financiers in respect of the assumption by the Trustee of the Shinsei Bank Guarantee;
- (xiii) the written consent in a form and on terms (if any) reasonably satisfactory to the Trustee from Shinsei Bank in respect of:
  - (a) the novation of the Shinsei Bank Guarantee from OUELH to the Trustee or the termination of the Shinsei Bank Guarantee and the execution of a guarantee agreement by and between the Trustee and Shinsei Bank in the form and substance equivalent to the Shinsei Bank Guarantee (as the case may be);
  - (b) the change of the directors of OUELH TMK (Japan) (if applicable); and
  - (c) the replacement of HJKK as the asset management company of OUELH TMK (Japan) with an asset management company agreed to by the Trustee; and

- (xiv) the replacement of HJKK as the asset management company of OUELH TMK (Japan) with an asset management company agreed to by the Trustee and Shinsei Bank, the cessation of the asset management business of HJKK (including the cancellation, termination, assignment and/or novation of substantially all licenses and agreements (including employment agreements, the asset management agreement between OUELH TMK (Japan) and HJKK and amendment of the Project Agreement dated 29 May 2020 executed between OUELH TMK (Japan), Shinsei Bank and HJKK)), and, to the extent required, the entry into such agreements or deeds to evidence the JMA Intercompany Balances on terms satisfactory to the Trustee acting reasonably.

## 2.10 Asset Management of the Japan Nursing Homes

It is intended that HJKK will be replaced as the asset management company of OUELH TMK (Japan) with an asset management company agreed to by the Trustee and Shinsei Bank. Accordingly, as mentioned at paragraphs 2.8(i)(n) and 2.9(xiv) of this Announcement, completion of the Proposed JMF Acquisition is subject to and conditional upon satisfaction or waiver (as the case may be) of, among other conditions, the replacement of HJKK as the asset management company of OUELH TMK (Japan) with an asset management company agreed to by the Trustee and Shinsei Bank and the cessation of the asset management business of HJKK (including the cancellation, termination, assignment and/or novation of substantially all licenses and agreements (including employment agreements, the asset management agreement between OUELH TMK (Japan) and HJKK and amendment of the Project Agreement dated 29 May 2020 executed between OUELH TMK (Japan), Shinsei Bank and HJKK)).

## 2.11 Transfer of Contractual Status in Respect of Shinsei Bank Guarantee

On 27 May 2020, Shinsei Bank and OUELH TMK (Japan) had entered into a specified bond subscription agreement (*OUELH Japan First tokutei mokuteki kaisha dai-sankai ippann tannpo tsuki tokutei shasai (tekikaku kikan toshika gentei) sougaku hihike keiyaku*) (the “**Specified Bond Subscription Agreement**”), pursuant to which Shinsei Bank had agreed to subscribe for OUELH Japan First TMK Series 3 Specified Bonds with General Security (For Qualified Institutional Investors Only) (*OUELH Japan First tokutei mokuteki kaisha dai-sankai ippann tannpo tsuki tokutei shasai (tekikaku kikan toshika gentei)*). It was a condition to Shinsei Bank entering into the Specified Bond Subscription Agreement and the other related agreements (*kanren keiyaku*) that OUELH absolutely and unconditionally guaranteed to Shinsei Bank the prompt and unconditional payment and performance of certain obligations under the terms of the Shinsei Bank Guarantee.

On completion of the Proposed Acquisition and pursuant to the JMF Sale and Purchase Agreement and the JMA Sale and Purchase Agreement, it is intended that OUELH, the Trustee and Shinsei Bank will enter into a transfer of contractual status agreement (the “**Transfer of Contractual Status Agreement**”), pursuant to which OUELH shall transfer and assign to the Trustee, or have the Trustee accept and assume, all rights, title, interest, benefits, obligations, liabilities and debts in, to and under the Shinsei Bank Guarantee, thereby being released from all obligations, liabilities and debts under the Shinsei Bank Guarantee which would have accrued prior to a date to be agreed between OUELH and the Trustee, and the Trustee shall accept and assume all rights, title, interest and benefits in, to and under the Shinsei Bank Guarantee, pursuant to the terms and conditions of the Transfer of Contractual Status Agreement.

In approving the Proposed Acquisition, Unitholders will be deemed to have approved all documents required to be executed by the relevant parties in order to give effect to the Proposed Acquisition (including the Transfer of Contractual Status Agreement).

### **3. RATIONALE FOR THE PROPOSED ACQUISITION**

The Manager believes that the Proposed Acquisition will bring, among others, the following key benefits to Unitholders.

#### **3.1 Strategic Entry into Attractive Japan Nursing Home Market with Strong Demand Drivers**

The Proposed Acquisition marks First REIT's strategic entry into the attractive Japan nursing home market characterised by robust market fundamentals with (i) strong demand drivers, (ii) limited supply and (iii) highly defensive attributes as evidenced by the limited impact from the COVID-19 pandemic.

##### **3.1.1 Rapidly Ageing Population Driving Surge in Demand for Nursing Home**

According to the Independent Market Research Report, Japan's population is aging more rapidly than any other country, with the longest average life expectancy of 85 years. The proportion of people over the age of 65 is expected to reach approximately 35.3% of the total population of Japan by 2040, making it the first "super-aged" nation in the world. The number of people certified as requiring long-term senior care is increasing in line with the rise in the elderly population that has increased 1.5 times nationwide from March 2008 to March 2021 and this trend is expected to continue. At the same time, occupant rate<sup>1</sup> for fee-based homes for the elderly has increased from 74% in 2002, to 87% in 2019. Consequently, the market for fee-based homes for the elderly is expected to grow over the foreseeable future.

##### **3.1.2 Nursing Homes are Considered Essential Services in Later Stages of Life**

The Japanese society has come to welcome the availability of elderly support facilities after the Japanese government introduced long-term care insurance ("LTCL") more than 20 years ago, which is available to the elderly people who need long-term care services regardless of income levels. The initial generous support from the government resulted in healthy public support of the LTCL and was effective in removing much of the stigma associated with using the services on offer. Furthermore, shrinking household sizes in Japan have directly resulted in a larger proportion of senior citizens living alone, leading to the unavoidable need for senior care. Nursing homes in Japan are therefore considered an essential service in the later stages of a person's life.

##### **3.1.3 Inadequate Supply of Fee-based Nursing Homes for Elderly**

Despite the existing and anticipated surge in demand for senior care services, senior housing supply in Japan has not been able to keep up. This is partly due to labour shortage and government restrictions on building more elder care public facilities. Thus, high-quality private facilities are increasingly critical to meet the unmet demand. In 2019, approximately 292,000 elderly people were on the long waiting lists for placements in Designated Facilities Covered by Public Aid Providing Long-term Care to the Elderly

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<sup>1</sup> Occupant rate is the ratio of the number of residents to the maximum capacity. Room occupancy rate is the ratio of the occupied rooms.

(public sector nursing homes).

### 3.1.4 Limited Impact from the COVID-19 Pandemic is a Testament to the Defensiveness and Quality of the Nursing Home Market in Japan

The way in which countries have been coping with the COVID-19 pandemic, in terms of the number of cases and deaths due to the COVID-19 pandemic, is a testament to the quality and standards of a country's healthcare system. According to the Welfare and Medical Service Agency, in a questionnaire survey of 434 social welfare corporations operating special nursing homes, for the period from April 2020 to March 2021, revenue from facility residence was stable at many facilities, with 81% of facilities experiencing either revenue growth or same level of revenue.

Beyond the strong general market attributes of the Japan nursing home market, the Japan Nursing Homes are also located in regions with highly favourable characteristics and demographic traits that support and sustain the growth of nursing home demand.

|                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Sapporo, Hokkaido</b><br><i>Internationally Recognised Tourist Destination</i>                                                                                                                                                                                                                                                                                            | <b>Nara-Shi / Korycho, Nara</b><br><i>Home to Three of Japan's World Heritage Sites</i>                                                                                                                                                                                                                                                                         |
| <ul style="list-style-type: none"><li>✓ <b>Sapporo-shi:</b> Designated "Ordinance-designated city<sup>1</sup>" in Japan</li><li>✓ Fifth-largest population in Japan</li><li>✓ Significant nursing care demand is predicted versus national average</li><li>✓ Limited new supply of fee-based nursing homes for elderly due to volume control by Sapporo-shi office</li></ul> | <ul style="list-style-type: none"><li>✓ <b>Nara-Shi:</b> Designated "core city<sup>2</sup>" in Japan; one of the most prominent tourist cities</li><li>✓ <b>Korycho:</b> Has idyllic scenery and Mamigaoka area, one of the most comfortable residential areas in Nara</li><li>✓ Significant nursing care demand is predicted versus national average</li></ul> |
| <b>Matsumoto, Nagano</b><br><i>Home to Matsumoto Castle, a National Treasure</i>                                                                                                                                                                                                                                                                                             | <b>Miyazu, Kyoto</b><br><i>Home to Amanohashidate, Japan's Top Three Scenic Spot</i>                                                                                                                                                                                                                                                                            |
| <ul style="list-style-type: none"><li>✓ <b>Matsumoto-Shi:</b> Designated "core city<sup>14</sup>" in Japan</li><li>✓ Most number of urban district shopping malls in Nagano</li><li>✓ Third-largest industrial manufacturing output in Nagano</li></ul>                                                                                                                      | <ul style="list-style-type: none"><li>✓ Location facing the Japan Sea</li><li>✓ Has only one fee-based home for the elderly with nursing care at 100% occupancy rate</li></ul>                                                                                                                                                                                  |

## 3.2 Enlarged and Diversified Portfolio Positioned for Long-term Growth

The Japan Nursing Homes are a portfolio of 12 quality freehold nursing homes located across Japan in Hokkaido, Nagano, Nara and Kyoto with a combined gross floor area ("GFA") of 90,989 square metres and 1,451 rooms, with a weighted average lease expiry ("WALE") by GFA of 22 years.

- 1 An "Ordinance-designated city" is a Japanese city that has a population greater than 500,000 and has been designated as such by order of the Cabinet of Japan under Article 252, Section 19 of the Local Autonomy Law. There are 20 designated cities in total. Designated cities are required to subdivide themselves into wards, each of which has a ward office conducting various administrative functions for the city government, such as koseki and juminhyo resident registration and tax collection.
- 2 Core cities are generally cities whose populations are greater than 200,000. These core cities are delegated many functions normally carried out by prefectural governments, but not as many as designated cities.

The Proposed Acquisition will improve First REIT's portfolio diversification and reduce its risk profile as highlighted below:

### 3.2.1 High-quality Defensive Portfolio with Strong Operators

| Hikari Heights Varus Co., Ltd                                                                                                                                                                                                                                                                                                                                                     | Safety Life Co., Ltd                                                                                                                                                                                                                                    | Orchard Care Co., Ltd                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>✓ Operates seven of the Japan Nursing Homes located in Sapporo</li> <li>✓ Operating track record of over 34 years since 1987</li> <li>✓ Listed on Sapporo Stock Exchange with 320 employees</li> <li>✓ Second-largest operator in Sapporo with nine facilities</li> <li>✓ High degree of recognition and credibility in Sapporo</li> </ul> | <ul style="list-style-type: none"> <li>✓ Operates two of the Japan Nursing Homes located in Nara</li> <li>✓ Operating track record of over 21 years since 2000</li> <li>✓ Highly experienced and well-regarded nursing home operator in Nara</li> </ul> | <ul style="list-style-type: none"> <li>✓ Operates three of the Japan Nursing Homes, two of which are located in Nagano and one of which is located in Kyoto</li> <li>✓ Operating track record of over seven years since 2014</li> <li>✓ Well-regarded and profitable nursing home operator</li> </ul> |

The Japan Nursing Homes are 100% master-leased to master tenants who are well-established and experienced independent local nursing home operators. As at 31 December 2020, the Japan Nursing Homes had an aggregate operational occupancy of over 90%, which is a reflection of the quality of the Japan Nursing Homes and their operators.

The nature of the Master Lease Agreements offers stability in tenancy and rental income for First REIT, with fixed rentals over the duration of the tenure and the possibility of negotiating a rental increase every two years<sup>1</sup> or three years<sup>2</sup> upon negotiation based on the increase in Japan's consumer price index and interest rates. Additionally, the rent may not be reduced unless certain requirements under Article 32 of the Act on Land and Building Leases<sup>3</sup> are met. In addition, under the terms of each of the Master Lease Agreements, the relevant master lessee is required to pledge to the lessor a rental deposit for an amount equal to six months<sup>15</sup> or four months<sup>16</sup> of the monthly rent payable by the relevant master lessee in accordance with the terms of the relevant Master Lease Agreement, which mitigates default risk.

To mitigate any disruption to the operation of each of the Japan Nursing Homes in the event of lease cancellation or termination, each of the Master Lease Agreements has a back-up operator clause which helps to ensure a smooth transition of operations to the back-up operator in an adverse event.

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- 1 In the case of Hikari Heights Varus Ishiyama, Hikari Heights Varus Tsukisamu-Koen, Hikari Heights Varus Fujino, Hikari Heights Varus Kotoni, Hikari Heights Varus Makomanai-Koen, Varus Cuore Yamanote and Varus Cuore Sapporo-Kita & Annex.
  - 2 In the case of Elysion Gakuenmae, Elysion Mamigaoka & Elysion Mamigaoka Annex, Orchard Amanohashidate, Orchard Kaichi North and Orchard Kaichi West.
  - 3 Article 32 of the Act on Land and Building Leases states that a lessee may request a future decrease in the rent where the building rent becomes unreasonable, as a result of the increase or decrease in tax and other burden or fall in property price, or fluctuations in other economic areas exist.

### 3.2.2 Enlarged Portfolio with Enhanced Flexibility, Ability to Drive Growth

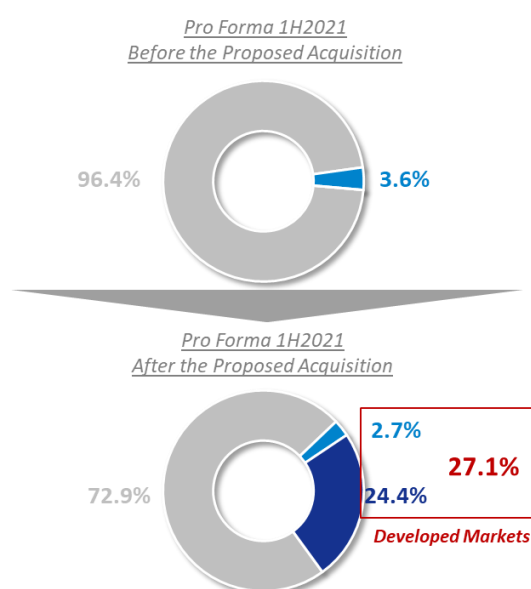
The value of First REIT's Deposited Property<sup>1</sup> will increase by 29.1% from S\$1,016.5 million as at 30 June 2021 to S\$1,312.1 million after the completion of the Proposed Acquisition. First REIT's enlarged portfolio increases First REIT's ability to undertake larger transactions and enhances capital management flexibility. The enlarged scale also provides First REIT greater flexibility when conducting portfolio rebalancing as it further executes the First REIT 2.0 strategy.

### 3.2.3 Enhanced Portfolio Diversification and Defensiveness

The Proposed Acquisition will enhance First REIT's diversification and defensiveness across multiple dimensions including (i) geographical diversification, (ii) lease diversification and (iii) land tenure enhancement.

This enhances the defensiveness and resilience of the cash flow of First REIT, further enabling First REIT to pursue the First REIT 2.0 strategy to deliver long-term sustainable returns to Unitholders.

#### Geographical Diversification by Asset Value<sup>2</sup>



After the completion of the Proposed Acquisition, First REIT will increase its exposure to developed markets from 3.6% of its asset value amounting to S\$33.8 million as at the first six-month period of the financial year ending 31 December 2021 from 1 January 2021 to 30 June 2021 ("**1H2021**") to 27.1% of its asset value amounting to S\$335.6 million on a *pro forma* basis.

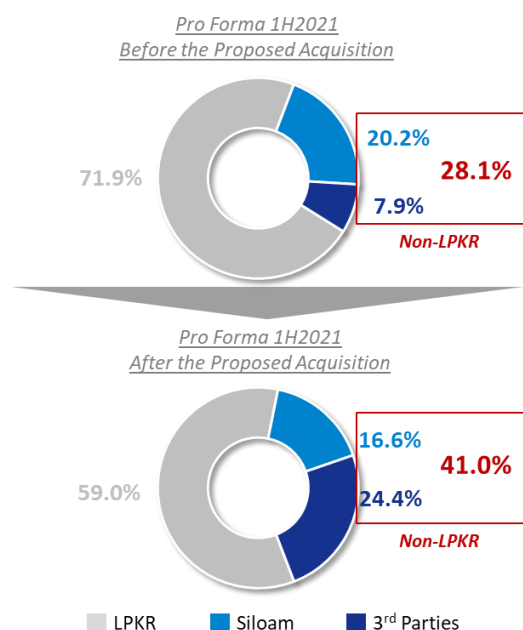
1 "Deposited Property" refers to the total assets of First REIT, including all its authorised investments held or deemed to be held upon the trust under the Trust Deed.

2 Based on the Agreed Purchase Price for the Japan Nursing Homes as at 29 October 2021 and the value of the existing portfolio of First REIT as at 31 December 2020 (excluding Sarang Hospital) (the "**Existing Portfolio**") as at 30 June 2021.

### 3.2.4 Enhanced Third-party Tenant Diversification

The Japan Nursing Homes are directly master leased to third-party tenant-cum-operators. Following the Proposed Acquisition, the rental income derived by First REIT from third parties<sup>1</sup> will increase by 16.6% from 7.9% of its rental income amounting to S\$3.0 million as at 1H2021 to 24.4% of its rental income amounting to S\$11.5 million. The Proposed Acquisition is expected to benefit Unitholders by improving tenant diversification and by reducing the concentration risk of First REIT's sources of rental income.

#### Lease Diversification by Rental Income<sup>2</sup>

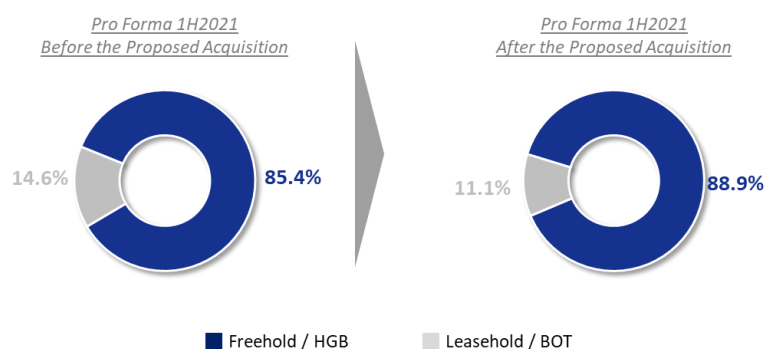


### 3.2.5 Increased Proportion of Freehold Assets

The Japan Nursing Homes are freehold assets. Following the completion of the Proposed Acquisition, 88.9% of First REIT's portfolio will consist of freehold or *Hak Guna Bangunan* ("HGB") assets as at 30 June 2021, significantly improving the quality of land tenure for the Enlarged Portfolio<sup>3</sup>.

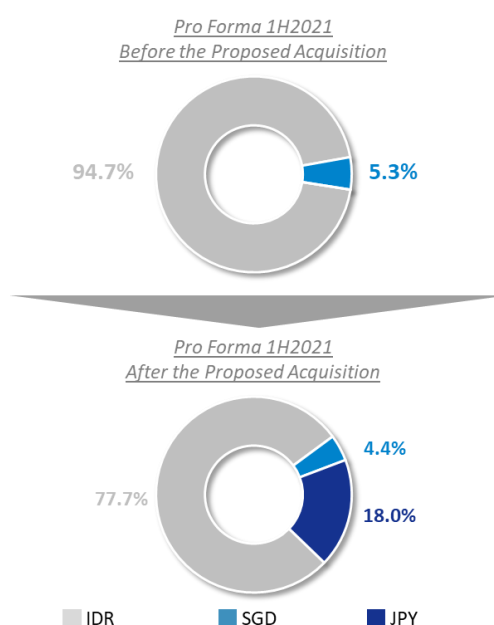
- 1 Third parties refer to tenants who are unrelated to LPKR, PT Siloam International Hospitals Tbk or their subsidiaries.
- 2 Rental income from third parties refers to rental income derived from PT Metropolis Propertindo Utama, tenants of Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang and The Lantor Residence and tenants of the Japan Nursing Homes, but excludes that of Sarang Hospital.
- 3 "Enlarged Portfolio" refers to the Existing Portfolio and the Japan Nursing Homes.

### Land Tenure Enhancement by Asset Value<sup>1</sup>



### 3.2.6 Reduced Rental Income Volatility from Exchange Rate Fluctuation

#### Geographical Diversification by Rental Income<sup>2</sup>

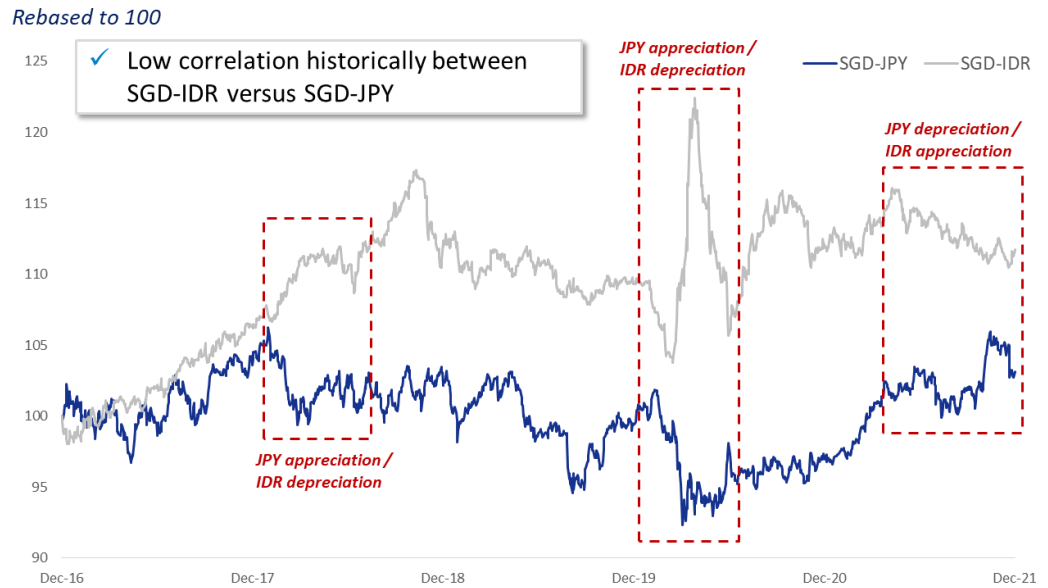


On a rental income basis, after the completion of the Proposed Acquisition, First REIT will increase its exposure to Japanese Yen to 18.0% of its rental income on a *pro forma* basis.

With First REIT's increased exposure to Japanese Yen, the Proposed Acquisition is expected to help hedge against fluctuation in exchange rate given low correlation between SGD-IDR and SGD-JPY.

- 1 Based on the Agreed Purchase Price for the Japan Nursing Homes as at 29 October 2021 and the value of the Existing Portfolio as at 30 June 2021. Land tenure by value; the two types of property titles in Indonesia are Freehold / HGB; and Leasehold / Build, Operate and Transfer ("BOT"), which includes Strata Title on BOT and Normal Title on BOT.
- 2 Based on rental income received as of 1H2021; but excluding the rental income from Sarang Hospital.

### 5-Year Historical SGD-IDR and SGD-JPY<sup>1</sup>

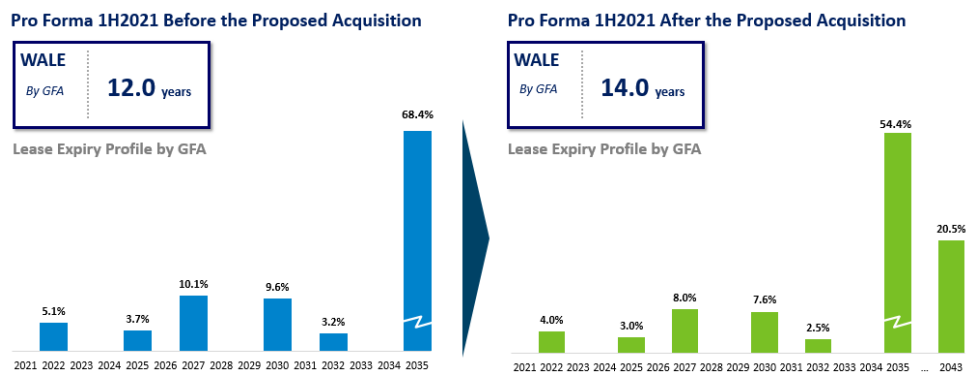


### 3.2.7 Improved Rental Stability and Weighted Average Lease Expiry

The Proposed Acquisition is expected to provide high income stability and cashflow visibility to First REIT. As at 30 June 2021, the Japan Nursing Homes had an aggregate WALE of 22 years. Each of the Japan Nursing Homes has a long-term Master Lease Agreement with its master tenant until the lease expiry date of 24 April 2043.

Upon completion of the Proposed Acquisition, the WALE by GFA of First REIT will improve from approximately 12 years as at 30 June 2021 to approximately 14 years respectively.

### Lease Expiry Profile<sup>2</sup>



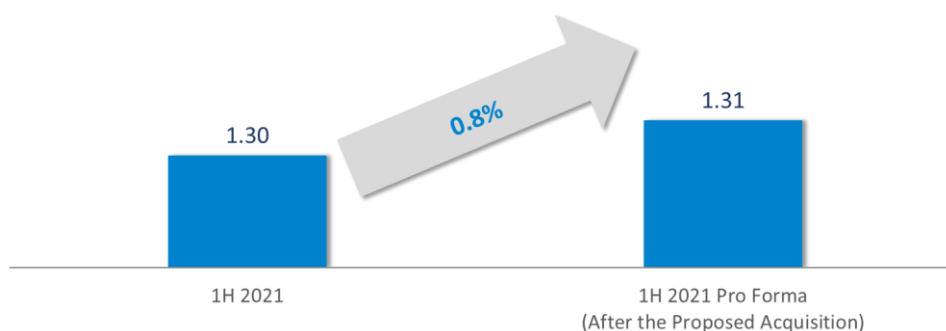
<sup>1</sup> Factset as at 6 December 2021.

<sup>2</sup> Based on the Existing Portfolio, including the renewed master lease agreement in respect of Imperial Aryaduta Hotel & Country Club as announced on 29 November 2021 and assuming the Japan Nursing Homes were acquired on 30 June 2021.

### 3.3 Proposed Acquisition is DPU Accretive to Unitholders on a *Pro Forma* Basis

The Proposed Acquisition is expected to be distribution per unit (“DPU”) accretive on a *pro forma* basis. Based on the *pro forma* financial effects for the Proposed Acquisition on the DPU for 1H2021, the DPU is expected to increase from 1.30 Singapore cents to 1.31 Singapore cents or by approximately 0.8%.

#### Pro Forma 1H 2021 DPU (For Illustrative Purposes Only)



On a *pro forma* basis for the financial year ended 31 December 2020 (“FY2020”), First REIT’s *pro forma* DPU for FY2020 will increase from 4.15 Singapore cents to 4.49 Singapore cents, translating to a *pro forma* DPU accretion of 8.2%. However, since the audited consolidated financial statements of First REIT and its subsidiaries for FY2020 (the “FY2020 Audited Consolidated Financial Statements”) were filed before the completion of the restructuring of certain master leases involving First REIT as first announced on 29 November 2020, the *pro forma* FY2020 financials do not form a meaningful basis of comparison.

Please refer to paragraph 8 of this Announcement for the *pro forma* financial effects of the Proposed Acquisition.

Following completion of the Proposed Acquisition, First REIT will have an enlarged asset base with healthy debt headroom, providing enhanced flexibility and ability to drive future growth and diversification from capitalising on OUE Limited (“OUE”) and its subsidiaries’ (the “OUE Group” or the “Sponsor”) network and also through third party acquisitions.

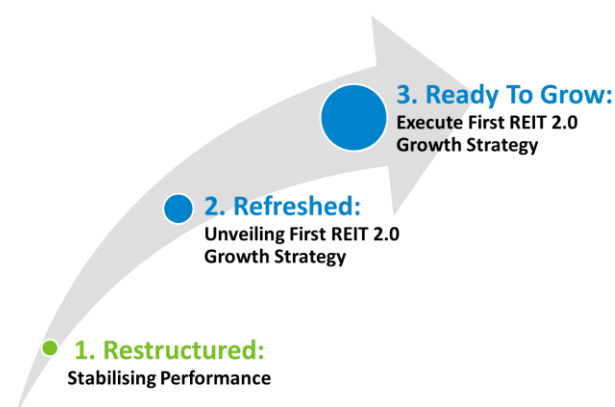
### 3.4 Proposed Acquisition is Consistent with the First REIT 2.0 Strategy and Reflects the Sponsor’s Commitment to First REIT

#### 3.4.1 The Proposed Acquisition is Consistent with the First REIT 2.0 Strategy

The Proposed Acquisition is a key component in First REIT’s announced vision to transform First REIT to become Asia’s Premier Healthcare Trust through a 3 stage process.

## OUR VISION TO BECOME ASIA'S PREMIER HEALTHCARE TRUST

**FIRST REIT**  
ASIA'S PREMIER HEALTHCARE TRUST



Since the successful Sponsor-led restructuring, First REIT has performed strongly delivering total Unitholder return of 51% with a 36% increase in unit price between January 2021 and end-November 2021 and positions First REIT well to now embark on the next stage of its 2.0 growth strategy.

Successful Sponsor-led restructuring with strong YTD TSR<sup>(1)</sup> of 51%

With the support of our Unitholders & Sponsor...

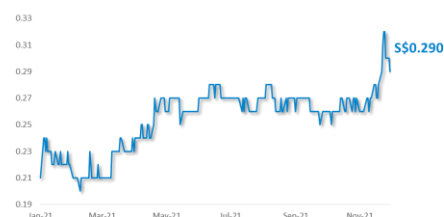


- ✓ Restructuring of Hospital Master Leases
- ✓ Extension of Hospital Master Leases by 5.2 years
- ✓ Sponsor Led S\$158mm Recapitalisation of First REIT
- ✓ Leveraging on Sponsor Network for S\$260mm Debt Refinancing

... we have improved unit price and returns for investors year-to-date

**+51%**  
Total Returns<sup>(1)</sup>

**+36%**  
Unit Price<sup>(2)</sup>



Source: FactSet (as of 6 December 2021)  
(1) Refers to Total Unitholder Returns, based on compound total return with dividends assumed to be reinvested on the ex-date  
(2) Based on share price of S\$0.214 on 1 January 2021 and S\$0.290 on 30 November 2021

The Proposed Acquisition, which represents First REIT's strategic entry into the highly attractive Japan nursing home market, is in line with the First REIT 2.0 strategy to achieve sustainable growth to Unitholders.

# FIRST REIT 2.0

ASIA'S PREMIER HEALTHCARE TRUST

Benchmark Healthcare-focused REIT Positioned to Capture the Tailwinds in the Healthcare Real Estate Market with a Focus on 4 Strategic Pillars:

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## Diversify into Developed Markets

*Reduce geographical and tenant concentration risk; target to reduce Indonesia assets to <50% of portfolio in 3-5 years*



## Reshape Portfolio for Capital Efficient Growth

*Recycle capital from non-core, non-healthcare assets*



## Strengthen Capital Structure to Remain Resilient

*Diversify funding sources and continue to optimise financial position*



## Continue to Pivot to Ride Megatrends

*Environmental, Social, and Governance ("ESG"), ageing population demographics and growth drivers*

First REIT is well-positioned to capitalise on the growth potential in the healthcare sector through the OUE Group's deal sourcing capability and strong networks and First REIT is expected to benefit from future opportunities to tap on OUE's growing healthcare network across Pan-Asia.

Following the completion of the Proposed Acquisition, First REIT's leverage is approximately 36.4% on a 1H2021 *pro forma* basis and will have a debt headroom of up to S\$358.0 million based on a leverage of 50% to fund acquisition growth.

### 3.4.2 The Proposed Acquisition Reflects the Sponsor's Commitment to the First REIT 2.0 Strategy

First REIT is the exclusive healthcare real estate investment trust vehicle of the Sponsor, the OUE Group. The OUE Group is committed to the growth and success of First REIT. The Proposed Acquisition reflects the OUE Group's commitment to the First REIT 2.0 strategy to pursue accretive growth, rebalance its portfolio and diversify income streams geographically into new markets.

The Proposed Acquisition is aligned with Unitholder interests and as a strong show of support to First REIT, the Sponsor has provided three pillars of support to First REIT in the Proposed Acquisition, which has enabled First REIT to deliver a DPU accretive transaction on a *pro forma* basis.

- **Agreed Purchase Price Discount:** 2.9% (JPY0.7 billion) and 3.8% (JPY1.0 billion) discount to the aggregate of the averages and the higher of the two

independent valuations of each Japan Nursing Home respectively;

- **Equity Issuance at a Premium to Market Price:** Approximately 78.3% of the Purchase Consideration or S\$131.5 million will be funded by the issuance of approximately 431 million new Units at a 9.3% premium to First REIT's 3-month VWAP<sup>1</sup> of S\$0.279; and
- **Waiver of Acquisition Fees:** The Manager has elected to voluntarily waive the acquisition fee which would have been payable to the Manager for the Proposed Acquisition pursuant to the Trust Deed, which fee would otherwise have been approximately S\$3.0 million.

### 3.5 Positions First REIT Competitively to Peer

After the completion of the Proposed Acquisition, First REIT will offer an annualised 1H2021 *pro forma* distribution yield of approximately 8.9%<sup>2</sup> which represents an implied yield spread of approximately 4.3% spread over its 1H2021 *pro forma* blended risk free rate of approximately 4.6%<sup>3</sup>.

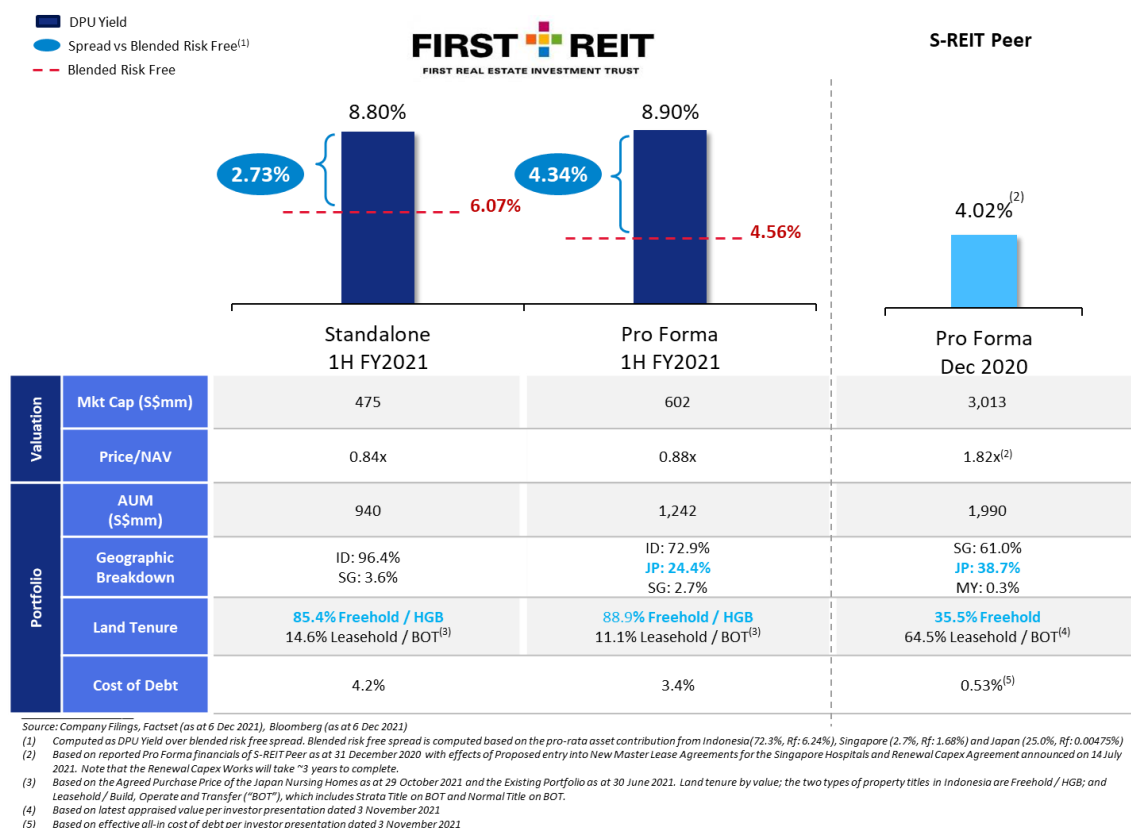
Backed by a 100% fully occupied predominantly freehold/HGB portfolio of hospitals and nursing homes, First REIT's current Unit price of S\$0.295 as at 6 December 2021 represents a 22% discount to its *pro forma* NAV per unit as at 30 June 2021 of S\$33.68 assuming the Proposed Acquisition is completed. This presents an attractive opportunity for investors to gain access to exposure to the unique healthcare sector where there is only one other listed peer in Singapore.

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1 Refers to Volume-Weighted Average Price over the preceding 3-month period as of 6 December 2021.

2 Computed based on First REIT's closing price of S\$0.295 as at 6 December 2021.

3 Computed based on the blended 10-year government bond yield by geographical mix of asset value as at 1H2021 including the *pro rata* asset contribution from Indonesia 72.3% (Risk free rate: 6.24%), Singapore (2.7%, Risk free rate: 1.68%) and Japan (25.0%, Risk free rate: 0.00475%).



#### 4. WHITEWASH WAIVER

The issuance of the Consideration Units is subject to the grant of a waiver by the SIC of the requirement for OHI, being a wholly-owned subsidiary of OUELH which has been nominated by OUELH to receive the Consideration Units, to make a mandatory general offer under Rule 14 of the Take-over Code for Units not already owned or controlled by OHI and its Concert Parties (the **"Mandatory Offer"**) (the **"Whitewash Waiver"**), in the event that OHI incurs an obligation to make a Mandatory Offer pursuant to Rule 14 of the Take-over Code as a result of the receipt by OHI (which has been nominated by OUELH to receive the Consideration Units) of the Consideration Units as partial consideration for the Proposed JMF Acquisition.

The SIC has granted the Whitewash Waiver subject to the satisfaction of certain conditions. Further details of the Whitewash Waiver will be set out in the circular to be issued to the Unitholders in due course (the **"Circular"**).

#### 5. THE PROPOSED SETTLEMENT

##### 5.1 Principal Terms and Conditions of the Settlement Agreements

###### Principal Terms and Conditions of the Progress Payments Settlement Agreement

**5.1.1** In connection with the Proposed Settlement, PT TPI has on 7 December 2021 entered into the Progress Payments Settlement Agreement with PT SK to provide for the full and final settlement of any and all claims which PT TPI may have against PT SK in respect of the Progress Payments and the Interest.

**5.1.2** In addition, the Progress Payments Settlement Agreement sets out the following principal terms in relation to the Proposed Settlement:

- (i) PT SK shall make payment to PT TPI of the amount of the Progress Payments of IDR281,250,090,000 (equivalent to S\$27,000,000.00) and the Interest of IDR28,001,721,252 (equivalent to S\$2,688,164.38) (the “**Aggregate Progress Payments Settlement Amount**”), in instalments comprising:
  - (a) IDR6,377,286,416 by 31 January 2022, being the first instalment of the Interest;
  - (b) IDR15,940,764,476 by 28 February 2022, being the second instalment of the Interest;
  - (c) IDR5,683,670,360 and IDR10,257,094,116 by 31 March 2022, being the final instalment of the Interest and the first instalment of the Progress Payments respectively;
  - (d) IDR47,822,293,428 by 30 April 2022, being the second instalment of the Progress Payments;
  - (e) IDR79,703,822,380 by 31 May 2022, being the third instalment of the Progress Payments; and
  - (f) IDR143,466,880,076 by 30 June 2022, being the final instalment of the Progress Payments.

The amounts stated above are based on the agreed exchange rate of S\$1.00 = IDR10,416.67; and

- (ii) subject to the concurrent performance in full of the parties’ obligations under the Project Expenses Settlement Agreement, each party to the Progress Payments Settlement Agreement confirms that it has no outstanding claims whatsoever against the other party under the Development Works Agreement (which shall include, but is not limited to, claims for antecedent breaches by the Development Works Agreement Parties of the Development Works Agreement (if any)).

#### Principal Terms and Conditions of the Project Expenses Settlement Agreement

**5.1.3** In connection with the Proposed Settlement, PT TPI has on 7 December 2021 entered into the Project Expenses Settlement Agreement with PT SK and the Trustee to provide for the full and final settlement of any and all claims which PT TPI may have against PT SK in respect of the Project Expenses incurred by the Trustee on behalf of PT TPI.

**5.1.4** In addition, the Project Expenses Settlement Agreement sets out the following principal terms in relation to the Proposed Settlement:

- (i) PT SK shall make payment to the Trustee of the aggregate amount of the Project Expenses incurred of S\$918,093.60 by 31 January 2022 (together with the Aggregate Progress Payments Settlement Amount, the “**Aggregate Settlement Amount**”); and

- (ii) subject to the concurrent performance in full of the Development Works Agreement Parties' obligations under the Progress Payments Settlement Agreement, each Development Works Agreement Party confirms that it has no outstanding claims whatsoever against the other Development Works Agreement Party under the Development Works Agreement (which shall include, but is not limited to, claims for antecedent breaches by the Development Works Agreement Parties of the Development Works Agreement (if any)).

## **5.2 Use of Aggregate Settlement Amount**

The Manager intends to use the Aggregate Settlement Amount to pare down existing loans and/or for working capital purposes.

## **6. RATIONALE FOR THE PROPOSED SETTLEMENT**

As announced on 21 October 2015, First REIT through PT TPI entered into the Development Works Agreement, with the intent to develop a new healthcare hospital to replace Siloam Hospitals Surabaya. It was intended that First REIT would have received a new healthcare facility by the first long stop date of the Development Works Agreement, being 28 June 2020.

On 29 June 2020, given that the Development Works were no longer progressing due to the Road Subsidence that took place on 18 December 2018, the Manager announced that PT TPI 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.

Since the Road Subsidence, the Manager had 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.

LPKR had also indicated that as there were still ongoing investigations into the Road Subsidence, possible and ongoing legal action and the pending outcome of an insurance claim, more time was necessary to propose a plan for the full and final settlement of all outstanding obligations between PT SK and PT TPI in connection with the Development Works Agreement.

Having concluded the studies, the Manager was of the view that re-commencing construction works would not be straightforward and will entail further development risks. As such, First REIT will not be participating in any further development plans by LPKR and the Proposed Settlement provides finality to the Development Works Agreement and allows First REIT to receive the Aggregate Settlement Amount in accordance with the rights specified within the Development Works Agreement.

## 7. REQUIREMENT FOR UNITHOLDERS' APPROVAL

### 7.1 Interested Person Transactions<sup>1</sup> and Interested Party Transactions<sup>2</sup>

#### 7.1.1 Related Party Transactions

Under Chapter 9 of the listing manual of the SGX-ST (the "**Listing Manual**"), where First REIT proposes to enter into a transaction with an Interested Person<sup>3</sup> 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 audited net tangible assets ("**NTA**"), Unitholders' approval is required in respect of the transaction.

Based on the FY2020 Audited Consolidated Financial Statements, the audited NTA of First REIT attributable to Unitholders was S\$403.1 million as at 31 December 2020. 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 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\$20.2 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 by First REIT which value (either in itself or when aggregated with the value of other transactions with the same Interested Party<sup>4</sup> during the current financial year) exceeds 5.0% of First REIT's latest audited NAV.

Based on the FY2020 Audited Consolidated Financial Statements, the audited NAV attributable to Unitholders was S\$403.1 million as at 31 December 2020. Accordingly, if the value of a transaction which is proposed to be entered into by First REIT with an Interested Party is, either in itself or in aggregate with all other earlier transactions entered into with the same Interested Party during the current financial year, equal to or greater than S\$20.2 million, such a transaction would be subject to Unitholders' approval.

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<sup>1</sup> "**Interested Person Transaction**" means a transaction between an entity at risk and an Interested Person (as defined herein).

<sup>2</sup> "**Interested Party Transaction**" has the meaning ascribed to it in Paragraph 5 of Appendix 6 of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("**MAS**") (the "**Code on CIS**", and Appendix 6 of the Code on CIS, the "**Property Funds Appendix**").

<sup>3</sup> The Listing Manual states that in the case of a REIT, the term "interested person" shall have the meaning ascribed to the term "interested party" in the Code on CIS. Therefore, the meaning of the term "**Interested Person**" is the same as the meaning of the term "**Interested Party**".

<sup>4</sup> As defined in the Property Funds Appendix, the term "**Interested Party**" 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
- (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.

### 7.1.2 The Proposed Acquisition

As at 6 December 2021, being the latest practicable date prior to this Announcement (the “**Latest Practicable Date**”), OUELH holds, through its wholly-owned subsidiary, OHI, and the Manager (of which OUELH owns 40.0%), an aggregate interest in 411,245,744 Units, which is equivalent to approximately 25.50% of the Units, and is therefore regarded as a Controlling Unitholder<sup>1</sup> of First REIT under both the Listing Manual and the Property Funds Appendix. In addition, as OUELH owns 40.0% of the shares in the Manager, OUELH is therefore regarded as a Controlling Shareholder<sup>2</sup> of the Manager under both the Listing Manual and the Property Funds Appendix.

For the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, OUELH (being a Controlling Unitholder of First REIT and a Controlling Shareholder of the Manager) is an Interested Person (for the purposes of the Listing Manual) and an Interested Party (for the purposes of the Property Funds Appendix) of First REIT.

Therefore, the Proposed Acquisition is an Interested Person Transaction under Chapter 9 of the Listing Manual, as well as an Interested Party Transaction under Paragraph 5 of the Property Funds Appendix.

Given that the aggregate value of the Purchase Consideration of approximately S\$163.5 million (which is approximately 40.6% of the audited NTA and audited NAV attributable to Unitholders as at 31 December 2020) exceeds the said thresholds, the Proposed Acquisition is subject to the approval of the Unitholders pursuant to Rule 906(1)(a) of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix.

In approving the Proposed Acquisition, Unitholders will be deemed to have approved all documents required to be executed by the relevant parties in order to give effect to the Proposed Acquisition.

### 7.1.3 The Proposed Settlement

As at the Latest Practicable Date, Dr Stephen Riady and Mr James Tjahaja Riady are each deemed to be interested in an aggregate of 466,361,549 (or approximately 28.91%) of the Units, and are therefore each regarded as a Controlling Unitholder of First REIT under both the Listing Manual and the Property Funds Appendix. In addition, as Dr Stephen Riady and Mr James Tjahaja Riady are each deemed to be interested in 100.0% of the shares in the Manager, Dr Stephen Riady and Mr James Tjahaja Riady are therefore each regarded as a Controlling Shareholder of the Manager under both the Listing Manual and the Property Funds Appendix.

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1 “**Controlling Unitholder**” means a person who:

- (a) holds directly or indirectly 15% 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.

2 “**Controlling Shareholder**” means a person who:

- (a) holds directly or indirectly 15% or more of the total voting rights in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or
- (b) in fact exercises control over a company.

Based on the latest information available to the Manager as at 31 October 2021, Dr Stephen Riady and Mr James Tjahaja Riady are each deemed to be interested in an aggregate of 41,844,108,005 (or approximately 59.02%) of the shares in LPKR.

PT SK is an indirect wholly-owned subsidiary of LPKR. By virtue of their interests in LPKR, Dr Stephen Riady and Mr James Tjahaja Riady are in turn each deemed to be interested in 100.0% of the shares in PT SK and, for the purposes of Chapter 9 of the Listing Manual and Paragraph 5 of the Property Funds Appendix, PT SK (being a company in which a Controlling Unitholder of First REIT has an interest of 30% or more and being a company in which a Controlling Shareholder of the Manager has an interest of 30% or more) is an Interested Person (for the purposes of the Listing Manual) and an Interested Party (for the purposes of the Property Funds Appendix) of First REIT.

Therefore, the Proposed Settlement is an Interested Person Transaction under Chapter 9 of the Listing Manual, as well as an Interested Party Transaction under Paragraph 5 of the Property Funds Appendix.

Given that the aggregate value of the Proposed Settlement of approximately S\$30.6 million (which is approximately 7.6% of the audited NTA and audited NAV attributable to Unitholders as at 31 December 2020) exceeds the said thresholds, the Proposed Settlement is subject to the approval of the Unitholders pursuant to Rule 906(1)(a) of the Listing Manual and Paragraph 5.2(b) of the Property Funds Appendix.

In approving the Proposed Settlement, Unitholders will be deemed to have approved all documents required to be executed by the relevant parties in order to give effect to the Proposed Settlement.

## **7.2 Major Transaction**

Chapter 10 of the Listing Manual governs the acquisition or divestment of assets, including options to acquire or dispose of assets, by First REIT. Such transactions are classified into the following categories:

- (i) non-discloseable transactions;
- (ii) discloseable transactions;
- (iii) major transactions; and
- (iv) very substantial acquisitions or reverse takeovers.

A transaction by First REIT may fall into any of the categories set out above depending on the size of the relative figures computed on the following bases of comparison:

- (a) the NAV of the assets to be disposed of, compared with First REIT's NAV;
- (b) the net profits attributable to the assets acquired, compared with First REIT's net profits;
- (c) the aggregate value of the consideration given, compared with First REIT's market capitalisation; and

- (d) the number of Units issued by First REIT as consideration for an acquisition, compared with the number of Units previously in issue.

Where any of the relative figures computed on the bases set out above exceeds 20.0%, the transaction is classified as a major transaction.

Rule 1006(a) of the Listing Manual is not applicable to the Proposed Acquisition as First REIT will not be disposing of any assets under the Proposed Acquisition.

The relative figures computed on the applicable bases set out in Rules 1006(b), 1006(c) and 1006(d) of the Listing Manual in respect of the Proposed Acquisition are as follows:

|                                                                                                                                                                                    | Proposed Acquisition<br>(S\$ million) | First REIT<br>(S\$ million)           | Relative Figure<br>(%) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|------------------------|
| <u>Rule 1006(b)</u><br>Net Property Income <sup>(1)</sup>                                                                                                                          | 7.6 <sup>(2)</sup>                    | 37.6 <sup>(3)</sup>                   | 20.2                   |
| <u>Rule 1006(c)</u><br>Aggregate value of the consideration given or received, compared with First REIT's market capitalisation based on the total number of issued Units          | 163.5 <sup>(4)</sup>                  | S\$476.3 <sup>(5),(6)</sup>           | 34.3                   |
| <u>Rule 1006(d)</u><br>The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue | 431,147,541<br>Units                  | 1,613,028,634<br>Units <sup>(6)</sup> | 26.7                   |

**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 total net rental of approximately S\$8.4 million under the Master Lease Agreements, less property expenses.
- (3) Based on the unaudited consolidated financial statements of First REIT and its subsidiaries for 1H2021 (the "1H2021 Unaudited Consolidated Financial Statements").
- (4) Does not include transaction costs (such as professional and other fees and expenses).
- (5) Based on the weighted average price of S\$0.2953 per Unit on the SGX-ST on the market day preceding the date of the JMF Sale and Purchase Agreement and the JMA Sale and Purchase Agreement.
- (6) Based on 1,613,028,634 Units in issue as at the Latest Practicable Date.

The Manager is of the view that the Proposed Acquisition is in the ordinary course of First REIT's business as the Proposed Acquisition is within the investment policy of First REIT and does not change the risk profile of First REIT. Therefore, the Proposed Acquisition is not subject to Chapter 10 of the Listing Manual.

However, as the Proposed Acquisition constitutes an Interested Person Transaction under Chapter 9 of the Listing Manual, as well as an Interested Party Transaction under the Property

Funds Appendix, the Proposed Acquisition will still be subject to the specific approval of Unitholders.

## 8. **PRO FORMA FINANCIAL EFFECTS**

The *pro forma* financial effects of the Proposed Acquisition presented below are strictly for illustrative purposes only and are prepared based on the FY2020 Audited Consolidated Financial Statements and the 1H2021 Unaudited Consolidated Financial Statements and assuming:

- (i) the Total Acquisition Cost, comprising the JMF Purchase Consideration, the JMA Purchase Consideration and the estimated stamp duties, professional and other fees and expenses incurred or to be incurred by First REIT in connection with the Proposed Acquisition, is S\$168.0 million, of which S\$16.2 million will be net-off against the obligation of OUELH to pay the JMF Intercompany Balances Amount and the JMA Intercompany Balances Amount, S\$20.3 million will be paid in cash and the balance of S\$131.5 million by way of the issue of approximately 431,147,541 Consideration Units issued at an issue price of S\$0.305 per Consideration Unit;
- (ii) the accounting policies and methods of computation applied to the *pro forma* financials are consistent with those applied in the FY2020 Audited Consolidated Financial Statements and the accounting standards applicable as at the date of this Circular;
- (iii) the estimated stamp duties, professional and other fees and expenses of S\$4.5 million is assumed to be 1.5% of the value of the Agreed Purchase Price for the Japan Nursing Homes as at 31 December 2020;
- (iv) the fair value of the Japan Nursing Homes was assumed to be the Agreed Purchase Price for the Japan Nursing Homes, the fair value losses on investment properties mainly attributed to the above transaction costs; and
- (v) the average and closing exchange rates for JPY:SGD used for translating the FY2020 income statement and the financial positions of the Japan Nursing Homes as at 31 December 2020 are 77.43 and 78.01 respectively. The average and closing exchange rates for JPY:SGD used for translating the 1H2021 income statement and the financial positions of the Japan Nursing Homes as at 30 June 2021 are 80.86 and 82.60 respectively.

## 8.1 FY2020

### 8.1.1 Pro Forma DPU

The *pro forma* financial effects of the Proposed Acquisition on the DPU and DPU yield for FY2020, as if the Proposed Acquisition was completed on 1 January 2020 and First REIT held the Japan Nursing Homes through to 31 December 2020, are as follows:

|                                                | FY2020                                         |                                |
|------------------------------------------------|------------------------------------------------|--------------------------------|
|                                                | Before the Proposed Acquisition <sup>(1)</sup> | After the Proposed Acquisition |
| Rental and other income (S\$'000)              | 79,619                                         | 97,145                         |
| Net property and other income (S\$'000)        | 77,465                                         | 92,997                         |
| Distributable Income (S\$'000)                 | 43,773                                         | 55,834                         |
| Units in issue and to be issued <sup>(2)</sup> | 807,206,351                                    | 1,239,670,169                  |
| DPU (cents) <sup>(3)</sup>                     | 4.15                                           | 4.49                           |
| DPU Yield (%) <sup>(4)</sup>                   | 14.1                                           | 15.2                           |

**Notes:**

- (1) Based on the FY2020 Audited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 791,062,223 new Units issued on 24 February 2021 pursuant to First REIT's renounceable and non-underwritten rights issue (the "**Rights Issue**", and the new Units issued on 24 February pursuant to the Rights Issue, the "**Rights Units**") and the 11,267,041 Units issued from 18 March 2021 to the date preceding the date of this Circular.
- (3) Taking into account the issue of 791,062,223 Rights Units, the DPU before the Proposed Acquisition and after the Proposed Acquisition will be 2.73 cents and 2.74 cents respectively.
- (4) Taking into account the issue of 791,062,223 Rights Units, the DPU Yield before the Proposed Acquisition and after the Proposed Acquisition will be 9.3% and 9.3% respectively.

### 8.1.2 Pro Forma NAV per Unit

The *pro forma* financial effects of the Proposed Acquisition on the NAV per Unit as at 31 December 2020, as if the Proposed Acquisition was completed on 31 December 2020, are as follows:

| As at 31 December 2020                         |                                                |                                |
|------------------------------------------------|------------------------------------------------|--------------------------------|
|                                                | Before the Proposed Acquisition <sup>(1)</sup> | After the Proposed Acquisition |
| NAV (S\$'000)                                  | 403,092                                        | 533,467                        |
| Units in issue and to be issued <sup>(2)</sup> | 807,206,351                                    | 1,239,670,169                  |
| NAV per Unit (cents) <sup>(3)</sup>            | 49.94                                          | 43.03                          |
| Leverage ratio <sup>(4)</sup> (%)              | 48.7                                           | 47.7                           |

**Notes:**

- (1) Based on the FY2020 Audited Consolidated Financial Statements.
- (2) The Units in issue and to be issued do not include the 791,062,223 Rights Units and 14,760,060 Units issued from 1 January 2021 to the date preceding the date of this Circular.
- (3) Taking into account the issue of 791,062,223 Rights Units, the NAV per Unit before the Proposed Acquisition and after the Proposed Acquisition will be 25.22 cents and 26.27 cents respectively.
- (4) Taking into account the proceeds from the Rights Issue of S\$158.2 million which was used to pare down S\$140.1 million loans, the leverage ratio before the Proposed Acquisition and after the Proposed Acquisition will be 34.1% and 36.5% respectively.

### 8.1.3 Pro Forma Capitalisation

The following table sets out the *pro forma* capitalisation of First REIT as at 31 December 2020, as if the Proposed Acquisition was completed on 31 December 2020.

| As at 31 December 2020  |           |                                                         |
|-------------------------|-----------|---------------------------------------------------------|
|                         | Actual    | As adjusted for the Proposed Acquisition <sup>(1)</sup> |
|                         | (S\$'000) | (S\$'000)                                               |
| <b>Short-term debt:</b> |           |                                                         |
| Secured                 | 195,345   | 195,345                                                 |
| Total short-term debt   | 195,345   | 195,345                                                 |

**Long-term debt:**

|                                    |                |                  |
|------------------------------------|----------------|------------------|
| Secured                            | 293,660        | 432,705          |
| Total long-term debt               | 293,660        | 432,705          |
| Total Debt                         | 489,005        | 628,050          |
| Unitholders funds                  | 403,092        | 533,467          |
| Perpetual securities holders' fund | 60,878         | 60,878           |
| <b>Total Capitalisation</b>        | <b>952,975</b> | <b>1,222,395</b> |

**Note:**

(1) Based on the FY2020 Audited Consolidated Financial Statements.

**8.2 1H2021****8.2.1 Pro Forma DPU**

The *pro forma* financial effects of the Proposed Acquisition on the DPU and DPU yield for 1H2021, as if the Proposed Acquisition was completed on 1 January 2021 and First REIT held the Japan Nursing Homes through to 30 June 2021, are as follows:

|                                                | <b>1H2021</b>                                        |                                       |
|------------------------------------------------|------------------------------------------------------|---------------------------------------|
|                                                | <b>Before the Proposed Acquisition<sup>(1)</sup></b> | <b>After the Proposed Acquisition</b> |
| Rental and other income (S\$'000)              | 38,933                                               | 47,357                                |
| Net property and other income (S\$'000)        | 37,612                                               | 45,202                                |
| Distributable Income (S\$'000)                 | 20,887                                               | 26,800                                |
| Units in issue and to be issued <sup>(2)</sup> | 1,606,628,351                                        | 2,038,419,097                         |
| DPU (cents)                                    | 1.30                                                 | 1.31                                  |
| DPU Yield (%)                                  | 4.4                                                  | 4.5                                   |

**Notes:**

(1) Based on the 1H2021 Unaudited Consolidated Financial Statements.

(2) The Units in issue and to be issued do not include the 3,750,678 Units issued from 30 July 2021 to the date preceding the date of this Circular.

### 8.2.2 Pro Forma NAV per Unit

The *pro forma* financial effects of the Proposed Acquisition on the NAV per Unit as at 30 June 2021, as if the Proposed Acquisition was completed on 30 June 2021, are as follows:

|                                                | As at 30 June 2021                             |                                |
|------------------------------------------------|------------------------------------------------|--------------------------------|
|                                                | Before the Proposed Acquisition <sup>(1)</sup> | After the Proposed Acquisition |
| NAV (S\$'000)                                  | 564,239                                        | 686,478                        |
| Units in issue and to be issued <sup>(2)</sup> | 1,606,628,351                                  | 2,038,419,097                  |
| NAV per Unit (cents)                           | 35.12                                          | 33.68                          |
| Leverage ratio (%)                             | 34.1                                           | 36.4                           |

**Notes:**

(1) Based on the 1H2021 Unaudited Consolidated Financial Statements.

(2) The Units in issue and to be issued do not include the 6,400,756 Units issued from 1 July 2021 to the date preceding the date of this Circular.

### 8.2.3 Pro Forma Capitalisation

The following table sets out the *pro forma* capitalisation of First REIT as at 30 June 2021, as if the Proposed Acquisition was completed on 30 June 2021.

|                         | As at 30 June 2021    |                                          |
|-------------------------|-----------------------|------------------------------------------|
|                         | Actual <sup>(1)</sup> | As adjusted for the Proposed Acquisition |
|                         | (S\$'000)             | (S\$'000)                                |
| <b>Short-term debt:</b> |                       |                                          |
| Secured                 | 98,594                | 98,594                                   |
| Total short-term debt   | 98,594                | 98,594                                   |
| <b>Long-term debt:</b>  |                       |                                          |
| Secured                 | 248,027               | 378,598                                  |
| Total long-term debt    | 248,027               | 378,598                                  |
| Total Debt              | 346,621               | 477,192                                  |

|                                    |                |                  |
|------------------------------------|----------------|------------------|
| Unitholders funds                  | 564,239        | 686,478          |
| Perpetual securities holders' fund | 60,850         | 60,850           |
| <b>Total Capitalisation</b>        | <b>971,710</b> | <b>1,224,520</b> |

**Note:**

(1) Based on the 1H2021 Unaudited Consolidated Financial Statements.

## 9. FINANCIAL ADVISER

The Manager has appointed BofA Securities (Merrill Lynch (Singapore) Pte. Ltd.) as the sole financial adviser to the Manager for the Proposed Acquisition, the Proposed Settlement, the proposed issue of Consideration Units as partial consideration for the Proposed JMF Acquisition and the Whitewash Resolution.

## 10. INTERESTS OF DIRECTORS AND SUBSTANTIAL UNITHOLDERS

### 10.1 Interests of the Directors of the Manager

As at the Latest Practicable Date, the details of the unitholdings of the Directors are as follows:

| Name of Director              | 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 Christopher James Williams | –               | –                | –               | –                | –                       | –                |
| Mr Tan Kok Mian Victor        | 252,569         | 0.0157           | –               | –                | 252,569                 | 0.0157           |
| Mr Chan Pengee Adrian         | –               | –                | –               | –                | –                       | –                |
| Mr Ferris Charles Bye         | –               | –                | –               | –                | –                       | –                |
| Mr Tan Chuan Lye              | –               | –                | –               | –                | –                       | –                |
| Mr Martin Lechner             | 5,000,000       | 0.3100           | –               | –                | 5,000,000               | 0.3100           |
| Ms Minny Riady                | –               | –                | –               | –                | –                       | –                |

**Note:**

(1) Percentage interest is based on 1,613,028,634 Units in issue as at the Latest Practicable Date.

## 10.2 Interests of the Substantial Unitholders

Based on the Register of Substantial Unitholders as at the Latest Practicable Date, the details of the unitholdings of the Substantial Unitholders<sup>1</sup> are as follows:

| Name of Substantial Unitholder                                     | Direct Interest   |                  | Deemed Interest                  |                  | Total No. of Units Held | % <sup>(1)</sup> |
|--------------------------------------------------------------------|-------------------|------------------|----------------------------------|------------------|-------------------------|------------------|
|                                                                    | No. of Units held | % <sup>(1)</sup> | No. of Units held                | % <sup>(1)</sup> |                         |                  |
| First REIT Management Limited ( <b>"FRML"</b> )                    | 164,395,457       | 10.1917          | —                                | —                | 164,395,457             | 10.1917          |
| OHI                                                                | 246,850,287       | 15.3035          | —                                | —                | 246,850,287             | 15.3035          |
| OUELH (Singapore) Pte. Ltd. ( <b>"OUELH (Singapore)"</b> )         | —                 | —                | 246,850,287 <sup>(2)</sup>       | 15.3035          | 246,850,287             | 15.3035          |
| OUELH (SEA) Pte. Ltd. ( <b>"OUELH (SEA)"</b> )                     | —                 | —                | 246,850,287 <sup>(2)</sup>       | 15.3035          | 246,850,287             | 15.3035          |
| OUELH                                                              | —                 | —                | 411,245,744 <sup>(2)(3)</sup>    | 25.4953          | 411,245,744             | 25.4953          |
| Treasure International Holdings Pte. Ltd. ( <b>"TIHPL"</b> )       | —                 | —                | 411,245,744 <sup>(2)(3)</sup>    | 25.4953          | 411,245,744             | 25.4953          |
| OUE                                                                | —                 | —                | 464,716,961 <sup>(2)(3)(4)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| OUE Realty Pte. Ltd. ( <b>"OUE"</b> )                              | —                 | —                | 464,716,961 <sup>(5)</sup>       | 28.8102          | 464,716,961             | 28.8102          |
| Golden Concord Asia Limited ( <b>"GCAL"</b> )                      | —                 | —                | 464,716,961 <sup>(6)</sup>       | 28.8102          | 464,716,961             | 28.8102          |
| Fortune Crane Limited ( <b>"FCL"</b> )                             | —                 | —                | 464,716,961 <sup>(7)</sup>       | 28.8102          | 464,716,961             | 28.8102          |
| Lippo ASM Asia Property Limited ( <b>"LAAPL"</b> )                 | —                 | —                | 464,716,961 <sup>(8)</sup>       | 28.8102          | 464,716,961             | 28.8102          |
| HKC Property Investment Holdings Limited ( <b>"HKC Property"</b> ) | —                 | —                | 464,716,961 <sup>(9)</sup>       | 28.8102          | 464,716,961             | 28.8102          |
| Hongkong Chinese Limited ( <b>"HCL"</b> )                          | —                 | —                | 464,716,961 <sup>(10)</sup>      | 28.8102          | 464,716,961             | 28.8102          |

1 "Substantial Unitholder" refers to a person with an interest in Units constituting not less than 5% of all Units in issue.

| Name of Substantial Unitholder                      | Direct Interest   |                  | Deemed Interest             |                  | Total No. of Units Held | % <sup>(1)</sup> |
|-----------------------------------------------------|-------------------|------------------|-----------------------------|------------------|-------------------------|------------------|
|                                                     | No. of Units held | % <sup>(1)</sup> | No. of Units held           | % <sup>(1)</sup> |                         |                  |
| Hennessy Holdings Limited (“Hennessy”)              | –                 | –                | 464,716,961 <sup>(11)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| Prime Success Limited (“PSL”)                       | –                 | –                | 464,716,961 <sup>(12)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| Lippo Limited (“LL”)                                | –                 | –                | 466,361,549 <sup>(13)</sup> | 28.9122          | 466,361,549             | 28.9122          |
| Lippo Capital Limited (“LCL”)                       | –                 | –                | 466,361,549 <sup>(14)</sup> | 28.9122          | 466,361,549             | 28.9122          |
| Lippo Capital Holdings Company Limited (“LCH”)      | –                 | –                | 466,361,549 <sup>(15)</sup> | 28.9122          | 466,361,549             | 28.9122          |
| Lippo Capital Group Limited (“LCG”)                 | –                 | –                | 466,361,549 <sup>(16)</sup> | 28.9122          | 466,361,549             | 28.9122          |
| Admiralty Station Management Limited (“Admiralty”)  | –                 | –                | 464,716,961 <sup>(17)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| Argyle Street Management Limited (“ASML”)           | –                 | –                | 464,716,961 <sup>(18)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| Argyle Street Management Holdings Limited (“ASMHL”) | –                 | –                | 464,716,961 <sup>(19)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| Kin Chan                                            | –                 | –                | 464,716,961 <sup>(20)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| V-Nee Yeh                                           | –                 | –                | 464,716,961 <sup>(21)</sup> | 28.8102          | 464,716,961             | 28.8102          |
| PT Trijaya Utama Mandiri (“PT TUM”)                 | –                 | –                | 466,361,549 <sup>(22)</sup> | 28.9122          | 466,361,549             | 28.9122          |
| James Tjahaja Riady                                 | –                 | –                | 466,361,549 <sup>(23)</sup> | 28.9122          | 466,361,549             | 28.9122          |
| Stephen Riady                                       | –                 | –                | 466,361,549 <sup>(24)</sup> | 28.9122          | 466,361,549             | 28.9122          |

**Notes:**

- (1) Percentage interest is based on 1,613,028,634 Units in issue as at the Latest Practicable Date.
- (2) OHI is 100% owned by OUELH (Singapore). OUELH (Singapore) is 100% owned by OUELH (SEA). OUELH (SEA) is 100% owned by OUELH. TIHPL, a subsidiary of OUE, directly holds 70.36% of the total share capital of OUELH. Accordingly, each of OUE, TIHPL, OUELH, OUELH (SEA) and OUELH (Singapore) has a deemed interest in OHI’s interest in the Units.
- (3) FRML is 40% directly held by OUELH and 60% directly held by OUE. Accordingly, each of OUELH and OUE has a deemed interest in FRML’s interest in the Units. TIHPL directly holds 70.36% of the total issued share capital of OUELH and has a deemed interest in the Units in which OUELH has a deemed interest.

- (4) Further, OUE is deemed to have an interest in the 53,471,217 Units held by Clifford Development Pte. Ltd., a subsidiary of OUE.
- (5) OUER is the holding company of OUE and has a deemed interest in the Units in which OUE has a deemed interest.
- (6) GCAL is the holding company of OUER and has a deemed interest in the Units in which OUER has a deemed interest.
- (7) FCL is the holding company of GCAL and has a deemed interest in the Units in which GCAL has a deemed interest.
- (8) LAAPL is the holding company of FCL and has a deemed interest in the Units in which FCL has a deemed interest.
- (9) LAAPL is jointly held by HKC Property and Admiralty. Accordingly, HKC Property is deemed to have an interest in the Units in which LAAPL has a deemed interest.
- (10) HCL is the immediate holding company of HKC Property. Accordingly, HCL is deemed to have an interest in the Units in which HKC Property has a deemed interest.
- (11) Hennessy is an intermediate holding company of HKC Property. Accordingly, Hennessy is deemed to have an interest in the Units in which HKC Property has a deemed interest.
- (12) PSL is an intermediate holding company of HKC Property. Accordingly, PSL is deemed to have an interest in the Units in which HKC Property has a deemed interest.
- (13) LL is an intermediate holding company of HKC Property. Accordingly, LL is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the 1,644,588 Units held by Hongkong China Treasury Limited, a subsidiary of LL (the "HKCTL Units").
- (14) LCL is an intermediate holding company of HKC Property and the immediate holding company of LL. Accordingly, LCL is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the HKCTL Units in which LL has a deemed interest.
- (15) LCH is an intermediate holding company of HKC Property. Accordingly, LCH is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the HKCTL Units in which LL has a deemed interest.
- (16) LCG is the holding company of LCH, which in turn is an intermediate holding company of HKC Property and LL. Accordingly, LCG is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the HKCTL Units in which LL has a deemed interest.
- (17) LAAPL is jointly held by HKC Property and Admiralty. Accordingly, Admiralty is deemed to have an interest in the Units in which LAAPL has a deemed interest.
- (18) ASML owns 100% of the voting shares in the capital of Admiralty. Accordingly, ASML is deemed to have an interest in the Units in which Admiralty has a deemed interest.
- (19) ASMHL is the holding company of ASML. Accordingly, ASMHL is deemed to have an interest in the Units in which ASML has a deemed interest.
- (20) Mr Kin Chan is the beneficial owner of more than 20% of the issued share capital of ASMHL. Accordingly, Mr Kin Chan is deemed to have an interest in the Units in which ASMHL has a deemed interest.
- (21) Mr V-Nee Yeh is the beneficial owner of more than 20% of the issued share capital of ASMHL. Accordingly, Mr V-Nee Yeh is deemed to have an interest in the Units in which ASMHL has a deemed interest.
- (22) PT TUM holds more than 20% of the shares in LCL, which in turn is an intermediate holding company of HKC Property and the immediate holding company of LL. Accordingly, PT TUM is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the HKCTL Units in which LL has a deemed interest.
- (23) Mr James Tjahaja Riady effectively holds all the shares in PT TUM, which holds more than 20% of the shares in LCL. LCL in turn is an intermediate holding company of HKC Property and the immediate holding company of LL. Accordingly, Mr James Tjahaja Riady is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the HKCTL Units in which LL has a deemed interest.
- (24) Dr Stephen Riady holds the entire issued share capital of LCG, which is the holding company of LCH. LCH in turn is an intermediate holding company of HKC Property and LL. Accordingly, Dr Stephen Riady is deemed to have an interest in the Units in which HKC Property has a deemed interest, as well as a deemed interest in the HKCTL Units in which LL has a deemed interest.

Save as otherwise disclosed above and based on information available to the Manager as at the Latest Practicable Date, none of the Directors or the Substantial Unitholders has an interest, direct or indirect, in the Proposed Acquisition and/or the Proposed Settlement.

#### **11. DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a Director in connection with the Proposed Acquisition and/or the Proposed Settlement or any other transactions contemplated in relation to the Proposed Acquisition and/or the Proposed Settlement.

#### **12. OPINION OF THE INDEPENDENT FINANCIAL ADVISER AND STATEMENT OF THE INDEPENDENT DIRECTORS AND THE AUDIT AND RISK COMMITTEE**

The Manager has appointed Stirling Coleman Capital Limited (the “**IFA**”) to advise the independent directors of the Manager (the “**Independent Directors**”), the audit and risk committee of the Manager (the “**Audit and Risk Committee**”) and the Trustee as to whether: (i) the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of First REIT and its minority Unitholders, (ii) the issue of the Consideration Units is on normal commercial terms and is not prejudicial to the interests of First REIT and its minority Unitholders, (iii) the financial terms of the issue of the Consideration Units are fair and reasonable and the Whitewash Resolution is fair and reasonable and (iv) the Proposed Settlement is on normal commercial terms and is not prejudicial to the interests of First REIT and its minority Unitholders.

The Independent Directors and Audit and Risk Committee will form their own views after reviewing the opinion of the IFA, which will be set out in the Circular.

#### **13. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager located at 333 Orchard Road #33-02 Singapore 238867 from the date of this Announcement up to and including the date falling three months after the date of this Announcement<sup>1</sup>:

- (i) the JMF Sale and Purchase Agreement;
- (ii) the JMA Sale and Purchase Agreement;
- (iii) the Progress Payments Settlement Agreement;
- (iv) the Project Expenses Settlement Agreement;
- (v) the full valuation reports issued by CWKK in respect of the Japan Nursing Homes;
- (vi) the full valuation reports issued by CBRE in respect of the Japan Nursing Homes;
- (vii) the FY2020 Audited Consolidated Financial Statements;
- (viii) the 1H2021 Unaudited Consolidated Financial Statements; and

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1 Prior appointment with the Manager (telephone: +65 6435 0168 or email: [ir@first-reit.com](mailto:ir@first-reit.com)) must be made to schedule the inspection.

- (ix) the Independent Market Research Report by the Independent Market Research Consultant.

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

#### **14. FURTHER DETAILS**

Further details of the Proposed Acquisition, the issuance of Consideration Units, the Whitewash Resolution and the Proposed Settlement will be contained in the Circular which will be issued by the Manager in due course, together with a notice of extraordinary general meeting for the purpose of seeking Unitholders' approval for the Proposed Acquisition, the issuance of Consideration Units, the Whitewash Resolution and the Proposed Settlement. Unitholders are advised to refer to the Circular for any updates to the information contained in this Announcement.

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

8 December 2021

## APPENDIX A

The following table sets out a summary of selected information on the Japan Nursing Homes as at 29 October 2021, unless otherwise stated.

| No.          | Property                                    | Location | Type of Property | No. of Rooms | Independent Valuation by CWKK | Independent Valuation by CBRE | Average of the Two Valuations | Agreed Purchase Price for the Japan Nursing Home | Premium/ (Discount) of the Agreed Purchase Price for the Japan Nursing Home over/to the Average of the Two Valuations |
|--------------|---------------------------------------------|----------|------------------|--------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
|              |                                             |          |                  |              | (JPY million)                 | (JPY million)                 | (JPY million)                 | (JPY million)                                    |                                                                                                                       |
| 1.           | Hikari Heights Varus Ishiyama               | Hokkaido | Nursing Home     | 117          | 824                           | 853                           | 839                           | 839                                              | 0.0%                                                                                                                  |
| 2.           | Hikari Heights Varus Tsukisamu-Koen         | Hokkaido | Nursing Home     | 58           | 631                           | 666                           | 649                           | 641                                              | (1.2)%                                                                                                                |
| 3.           | Hikari Heights Varus Fujino                 | Hokkaido | Nursing Home     | 139          | 1,640                         | 1,640                         | 1,640                         | 1,574                                            | (4.0)%                                                                                                                |
| 4.           | Hikari Heights Varus Kotoni                 | Hokkaido | Nursing Home     | 281          | 6,460                         | 6,470                         | 6,465                         | 6,209                                            | (4.0)%                                                                                                                |
| 5.           | Hikari Heights Varus Makomanai-Koen         | Hokkaido | Nursing Home     | 161          | 4,560                         | 4,670                         | 4,615                         | 4,475                                            | (3.0)%                                                                                                                |
| 6.           | Varus Cuore Yamanote                        | Hokkaido | Nursing Home     | 59           | 1,100                         | 1,070                         | 1,085                         | 1,007                                            | (7.2)%                                                                                                                |
| 7.           | Varus Cuore Sapporo-Kita & Annex            | Hokkaido | Nursing Home     | 216          | 2,870                         | 3,010                         | 2,940                         | 2,847                                            | (3.2)%                                                                                                                |
| 8.           | Elysion Gakuenmae                           | Nara     | Nursing Home     | 92           | 1,660                         | 1,610                         | 1,635                         | 1,610                                            | (1.5)%                                                                                                                |
| 9.           | Elysion Mamigaoka & Elysion Mamigaoka Annex | Nara     | Nursing Home     | 160          | 2,370                         | 2,370                         | 2,370                         | 2,370                                            | 0.0%                                                                                                                  |
| 10.          | Orchard Amanohashidate                      | Kyoto    | Nursing Home     | 60           | 967                           | 899                           | 933                           | 933                                              | 0.0%                                                                                                                  |
| 11.          | Orchard Kaichi North                        | Nagano   | Nursing Home     | 79           | 1,320                         | 1,340                         | 1,330                         | 1,303                                            | (2.0)%                                                                                                                |
| 12.          | Orchard Kaichi West                         | Nagano   | Nursing Home     | 29           | 427                           | 424                           | 426                           | 405                                              | (4.9)%                                                                                                                |
| <b>Total</b> |                                             |          |                  | <b>1,451</b> | <b>24,829</b>                 | <b>25,022</b>                 | <b>24,926</b>                 | <b>24,213</b>                                    | <b>(2.9)%</b>                                                                                                         |

**Note:**

(1) Any discrepancies in the table above are due to rounding.

## APPENDIX B

The following table sets out a summary of certain details of the Master Lease Agreements as at 29 October 2021, unless otherwise stated.

| No. | Name of Property                    | Operator/Master Lessee        | Gross Rent Per Annum (JPY) | Lease Commencement Date | Lease Expiry Date | Non-cancellation Date | Lease Extension (Years) | Rental Revision Period (Years) | Rental Deposit (Months) |
|-----|-------------------------------------|-------------------------------|----------------------------|-------------------------|-------------------|-----------------------|-------------------------|--------------------------------|-------------------------|
| 1.  | Hikari Heights Varus Ishiyama       | Hikari Heights Varus Co., Ltd | 66,000,000                 | 25 April 2013           | 24 April 2043     | 24 April 2021         | 5                       | 2                              | 6                       |
| 2.  | Hikari Heights Varus Tsukisamu-Koen | Hikari Heights Varus Co., Ltd | 45,600,000                 | 25 April 2013           | 24 April 2043     | 24 April 2022         | 5                       | 2                              | 6                       |
| 3.  | Hikari Heights Varus Fujino         | Hikari Heights Varus Co., Ltd | 103,200,000                | 25 April 2013           | 24 April 2043     | 24 April 2022         | 5                       | 2                              | 6                       |
| 4.  | Hikari Heights Varus Kotoni         | Hikari Heights Varus Co., Ltd | 324,000,000                | 25 April 2013           | 24 April 2043     | 24 April 2022         | 5                       | 2                              | 6                       |
| 5.  | Hikari Heights Varus Makomanai-Koen | Hikari Heights Varus Co., Ltd | 232,800,000                | 25 April 2013           | 24 April 2043     | 24 April 2022         | 5                       | 2                              | 6                       |
| 6.  | Varus Cuore Yamanote                | Hikari Heights Varus Co., Ltd | 57,600,000                 | 25 April 2013           | 24 April 2043     | 24 April 2023         | 5                       | 2                              | 6                       |
| 7a. | Varus Cuore Sapporo-Kita            | Hikari Heights Varus Co., Ltd | 94,857,144                 | 25 April 2013           | 24 April 2043     | 24 April 2022         | 5                       | 2                              | 6                       |
| 7b. | Varus Cuore Sapporo-Kita Annex      |                               | 54,000,000                 | 30 September 2014       | 24 April 2043     |                       | 5                       | 2                              | 6                       |

| No. | Name of Property                          | Operator/Master Lessee | Gross Rent Per Annum (JPY) | Lease Commencement Date | Lease Expiry Date | Non-cancellation Date | Lease Extension (Years) | Rental Revision Period (Years) | Rental Deposit (Months) |
|-----|-------------------------------------------|------------------------|----------------------------|-------------------------|-------------------|-----------------------|-------------------------|--------------------------------|-------------------------|
| 8.  | Elyson Gakuenmae                          | Safety Life Co., Ltd   | 83,904,000                 | 25 April 2013           | 24 April 2043     | 24 April 2023         | 5                       | 3                              | 4                       |
| 9.  | Elyson Mamigaoka & Elyson Mamigaoka Annex | Safety Life Co., Ltd   | 134,640,000                | 25 April 2013           | 24 April 2043     | 24 April 2023         | 5                       | 3                              | 4                       |
| 10. | Orchard Amanohashidate                    | Orchard Care Co., Ltd  | 54,720,000                 | 25 April 2013           | 24 April 2043     | 24 April 2023         | 5                       | 3                              | 4                       |
| 11. | Orchard Kaichi North                      | Orchard Care Co., Ltd  | 78,600,000                 | 25 April 2013           | 24 April 2043     | 24 April 2023         | 5                       | 3                              | 4                       |
| 12. | Orchard Kaichi West                       | Orchard Care Co., Ltd  | 28,716,000                 | 25 April 2013           | 24 April 2043     | 24 April 2023         | 5                       | 3                              | 4                       |

## Important Notice

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in First REIT (“Units”).

The value of Units and the income derived from them may fall as well as rise. 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. The past performance of First REIT is not necessarily indicative of the future performance of First REIT.

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 Announcement 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.