

CIRCULAR DATED 11 APRIL 2014

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If you have sold or transferred all your units in First Real Estate Investment Trust (“**First REIT**”, and the units in First REIT, “**Units**”), you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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FIRST  REIT
FIRST REAL ESTATE INVESTMENT TRUST
(Constituted in the Republic of Singapore
pursuant to a trust deed dated 19 October 2006 (as amended))

MANAGED BY

BOWSPRIT CAPITAL CORPORATION LIMITED
(Company Registration Number: 200607070D)

CIRCULAR TO UNITHOLDERS

IN RELATION TO:

- (1) **THE PROPOSED ACQUISITION AND MASTER LEASE OF SILOAM HOSPITALS PURWAKARTA; AND**
- (2) **THE PROPOSED ISSUANCE OF THE CONSIDERATION UNITS (AS DEFINED HEREIN) AS PARTIAL CONSIDERATION FOR THE PROPOSED ACQUISITION OF SILOAM HOSPITALS PURWAKARTA.**

**Independent Financial Adviser to the Independent Directors of
Bowsprit Capital Corporation Limited and to the Trustee**

 **STIRLING COLEMAN**
施霖高诚

(Company Registration Number: 200105040N)

IMPORTANT DATES AND TIMES FOR UNITHOLDERS

Last date and time for lodgement of Proxy Forms	:	Monday, 28 April 2014 at 3:00 p.m.
Date and time of Extraordinary General Meeting	:	Wednesday, 30 April 2014 at 3:00 p.m.
Place of Extraordinary General Meeting	:	Mandarin Ballroom III, Level 6, Main Tower Mandarin Orchard Singapore 333 Orchard Road, Singapore 238867

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CORPORATE INFORMATION

Directors of the Manager (“Directors”)	:	Mr Albert Saychuan Cheok (Chairman and Independent Director) Mr Goh Tiam Lock (Independent Director) Mr Wong Gang (Independent Director) Mr Ketut Budi Wijaya (Non-Executive Director) Dr Ronnie Tan Keh Poo (Chief Executive Officer and Director)
Registered Office of the Manager	:	50 Collyer Quay #06-01 OUE Bayfront Singapore 049321
Trustee of First REIT (the “Trustee”)	:	HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of First REIT) 21 Collyer Quay #10-02 HSBC Building Singapore 049320
Legal Adviser for the SHPW Acquisition and the SHPW Master Lease (each as defined herein) and to the Manager	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Adviser to the Manager and the Trustee for the SHPW Acquisition and the SHPW Master Lease as to Indonesian Law	:	Makes & Partners Law Firm Menara Batavia, 7th Floor Jl. KH. Mas Mansyur Kav. 126 Jakarta 10220, Indonesia
Legal Adviser to the Trustee as to Singapore Law	:	Rodyk & Davidson LLP 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624
Independent Financial Adviser to the Independent Directors of the Manager and to the Trustee in relation to the SHPW Master Lease	:	Stirling Coleman Capital Limited 4 Shenton Way #07-03 SGX Centre 2 Singapore 068807
Independent Singapore Tax Adviser	:	Ernst & Young Solutions LLP One Raffles Quay North Tower Level 18 Singapore 048583
Independent Indonesia Accounting and Tax Adviser (the “Independent Indonesia Tax Adviser”)	:	PB Taxand Menara Imperium 27th Floor Jl. H.R. Rasuna Said Kav. 1 Jakarta 12980, Indonesia

**Independent Valuers
(the “Independent Valuers”)**

: KJPP Willson & Rekan in association with Knight Frank
Wisma Nugra Santana #17-08
Jl. Jend. Sudirman Kav. 7-8
Jakarta 10220, Indonesia
(appointed by the Trustee for the valuation of Siloam Hospitals
Purwakarta)

KJPP Rengganis, Hamid & Rekan in strategic alliance with
CBRE Pte. Ltd.
Menara Kuningan 8th Floor
Jl. HR. Rasuna said Blok X-7 Kav. 5
Jakarta 12940, Indonesia
(appointed by the Manager for the valuation of Siloam
Hospitals Purwakarta)

**Independent Healthcare
Research Consultant for
the Indonesia Healthcare
Market Review Report (the
“Independent Healthcare
Research Consultant”)**

: Frost & Sullivan (S) Pte Ltd
100 Beach Road
#29-01/11 Shaw Tower
Singapore 189702

**Unit Registrar and Unit
Transfer Office**

: Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the full text of this Circular. Meanings of defined terms may be found in the Glossary on pages 31 to 38 of this Circular.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

INTRODUCTION

First REIT's investment policy is to invest in a diversified portfolio of income producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare-related purposes¹. In furtherance of First REIT's investment policy, the Manager is seeking the approval of unitholders of First REIT ("**Unitholders**") for the following resolutions:

- (a) **Resolution 1:** The proposed acquisition of Siloam Hospitals Purwakarta, which is located at Jalan Bungursari No. 1, Purwakarta, West Java, Indonesia ("**SHPW**"), and the proposed acquisition of SHPW, the "**SHPW Acquisition**") from PT Purimas Elok Asri, a limited liability company incorporated in Indonesia ("**PT PEA**") as well as the proposed master lease of SHPW to PT Metropolis Propertindo Utama, a limited liability company incorporated in Indonesia ("**PT MPU**"), and the proposed master lease of SHPW, the "**SHPW Master Lease**") (Ordinary Resolution²); and
- (b) **Resolution 2:** The proposed issuance of new Units as part satisfaction of the purchase consideration for the SHPW Acquisition (the "**Consideration Units**") (Ordinary Resolution).

Unitholders should note that Resolution 1 relating to the SHPW Acquisition and the SHPW Master Lease is inter-conditional with Resolution 2 relating to the proposed issuance of the Consideration Units. In the event that any of Resolutions 1 and 2 is not passed, the Manager will not proceed with the SHPW Acquisition, the SHPW Master Lease and the proposed issuance of the Consideration Units.

BACKGROUND OF APPROVALS SOUGHT

As part of First REIT's growth strategy, the Manager is committed to pursuing acquisition opportunities that will enhance First REIT's asset base and maintain an attractive cash flow and yield profile.

Further to this growth strategy, the Manager is seeking to acquire SHPW for a purchase consideration of S\$31.0 million³ (the "**SHPW Purchase Consideration**") from PT PEA, which directly wholly-owns SHPW.

1 Including, but not limited to, hospitals, nursing homes, medical clinics, pharmacies, laboratories, diagnostic/imaging facilities and real estate and/or real estate related assets used in connection with healthcare research, education, lifestyle and wellness management, manufacture, distribution or storage of pharmaceuticals, drugs, medicine and other healthcare goods and devices and such other ancillary activities relating to the primary objective, whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

2 "**Ordinary Resolution**" refers to a resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of 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**").

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

PT PEA is an indirect wholly-owned subsidiary of PT MPU. PT MPU, which will be the master lessee of SHPW upon the completion of the SHPW Acquisition, is one of the largest property developers in Indonesia by total assets, engaging in development projects ranging from commercial retail malls to residential and office projects throughout Indonesia. PT MPU currently holds a large diversified portfolio across various asset classes, including 45 properties currently under development or slated for development as well as 14 completed properties, and also has a proven track record in divestment of real estate, having sold 20 properties over the past seven years with an aggregate value of approximately US\$1.5 billion. Based on the Report on Review of Interim Financial Statements of PT MPU for the six-month period ended 30 June 2013, PT MPU has total assets of approximately Rp. 20,613 billion¹. PT PEA is not an Interested Person² or an Interested Party³ of any of the Manager, the sponsor of First REIT being PT Lippo Karawaci Tbk (the “**Sponsor**”), or the Trustee.

For the purposes of the SHPW Acquisition, First REIT has on 12 March 2014 acquired a 100.0% interest in Finura Investments Pte. Ltd. (“**Finura Investments**”), a company incorporated in Singapore, for a nominal consideration of S\$1.00. Finura Investments in turn wholly-owns Glamis Investments Pte. Ltd. (“**Glamis Investments**”), a company incorporated in Singapore. Subsequently, Finura Investments has on 12 March 2014 entered into a conditional sale and purchase agreement (the “**SHPW SPA**”) for the acquisition of SHPW. As Indonesian Agrarian Law does not allow a foreign entity or individual to own Indonesian real estate, the SHPW SPA provides that Finura Investments has the right to nominate an Indonesian company to enter into a conditional sale and purchase agreement with PT PEA on the same terms as that of the SHPW SPA (the “**New SHPW SPA**”), and upon such entry, Finura Investments and PT PEA will enter into a termination agreement (the “**Termination Agreement**”) to terminate the SHPW SPA.

For the avoidance of doubt, the Indonesian company which Finura Investments intends to nominate to enter into the New SHPW SPA is an Indonesian limited liability company (the “**Indonesian Company**”) which is wholly-owned by Finura Investments and its wholly-owned subsidiary, Glamis Investments.

Under the SHPW SPA, PT PEA will receive S\$26.5 million of the SHPW Purchase Consideration in cash, with the remaining S\$4.5 million of the SHPW Purchase Consideration to be satisfied by way of Consideration Units. The issue price of the Consideration Units will be determined based on the 10-Day Volume Weighted Average Price⁴ of the Units immediately preceding the date of completion of the SHPW Acquisition, in accordance with the provisions of the Trust Deed. The number of the Consideration Units shall be calculated based on the issue price of the Consideration Units.

RESOLUTION 1: THE SHPW ACQUISITION AND THE SHPW MASTER LEASE

Overview

SHPW comprises a three-storey hospital building and a five-storey hospital building adjoining each other. It has an operational capacity of 100 beds, with a maximum capacity of 203 beds. The three-storey and five-storey hospital buildings were completed in 2005 and 2008 respectively. SHPW is currently undergoing major refurbishment works (which have been substantially completed but which

- 1 For illustrative purposes only, this amount is equivalent to approximately S\$2,295 million based on the rupiah exchange rate of S\$1.00 to Rp. 8,982 as at 11 March 2014.
- 2 The Listing Manual states that in the case of a REIT, the term “interested person” shall have the meaning defined in the Code on Collective Investment Schemes issued by the MAS. Therefore, the definition of the term “**Interested Person**” is the same as the definition of the term “**Interested Party**”.
- 3 As defined in Appendix 6 of the Code on Collective Investment Schemes issued by the MAS (the “**Property Funds Appendix**”), the term “**Interested Party**” means:
 - (a) a director, chief executive officer or Controlling Shareholder (as defined herein) of the manager, or the manager, the trustee or controlling unitholder of the property fund; 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 the property fund.
- 4 “**10-Day Volume Weighted Average Price**” refers to the volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined herein) immediately preceding the relevant Business Day.

are expected to be fully completed in September 2014), and under the SHPW SPA, PT MPU and PT PEA are responsible for, and will pay for all costs in relation to, the refurbishment of SHPW. In addition, PT MPU and PT PEA are also responsible for the capital expenditures of SHPW for the next two years upon completion of the SHPW Acquisition. PT MPU will therefore be entering into the master lease agreement to retain oversight over the property and ensure that its obligations (which include satisfactory completion of the refurbishment works of SHPW) are met. In addition, PT MPU and its indirect wholly-owned subsidiary PT PEA do not have experience in running and operating hospitals, and therefore, PT Siloam International Hospitals Tbk ("**PT SIH**"), a limited liability company incorporated in Indonesia, has been sought to advise, manage and operate the hospital by way of a sub-letting arrangement which will be entered into between PT PEA and PT SIH or its subsidiary before the completion of the sale of SHPW to First REIT, and this sub-letting arrangement will be assigned/novated by PT PEA to PT MPU on or after the completion of the sale of SHPW to First REIT.

Prior to the completion of the SHPW Acquisition, SHPW will commence operations under the "Siloam Hospitals" brand and upon SHPW commencing operations under the "Siloam Hospitals" brand, PT SIH, or its subsidiary, will be the lessee of SHPW. SHPW has a total gross floor area ("**GFA**") of about 8,254 square metres ("**sq m**") and is located at Jalan Bungursari No. 1, Purwakarta, West Java, Indonesia. It is equipped with state-of-the-art medical equipment and has 250 vehicle parking spaces. SHPW is a Centre of Excellence¹ for emergency and trauma, and is registered to treat patients under the Health Ministry's Social Security Management Agency (*Badan Penyelenggara Jaminan Sosial/ BPJS*) Program.

The total cost of the SHPW Acquisition, comprising the SHPW Purchase Consideration of S\$31.0 million, the acquisition fee of S\$0.31 million in relation to the SHPW Acquisition payable to the Manager pursuant to the Trust Deed (the "**SHPW Acquisition Fee**") which may be payable in the form of cash and/or Units as the Manager may elect, as well as the professional and other fees and expenses of approximately S\$0.57 million in connection with the SHPW Acquisition, is estimated to be approximately S\$31.88 million (the "**SHPW Acquisition Cost**").

Upon completion of the SHPW Acquisition, First REIT will indirectly hold SHPW through the Indonesian Company under six 'Right to Build' (*Hak Guna Bangunan* or "**HGB**") title certificates, of which five HGB title certificates will expire on 14 November 2043 and one HGB title certificate will expire on 27 November 2043².

(Paragraph 2, page 7 of the Letter to Unitholders provides further details on the SHPW Acquisition.)

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- 1 The term "**Centre of Excellence**" is used to describe a particular area of medical specialisation, proficiency and excellence, with the relevant specialist doctors, nursing staff and state-of-the-art medical equipment and facilities, at a hospital.
 - 2 The HGB title certificates in respect of SHPW were granted by the authorised National Land Office of the Republic of Indonesia (*Badan Pertanahan Nasional*) (the "**National Land Office**") at different times. In addition, the National Land Office has the discretion to determine the tenure of the HGB title certificates to be granted subject to the relevant maximum limit. For the above reasons, the tenure of the HGB title certificates for SHPW are not the same. A HGB title is granted for a maximum initial term of 30 years. By application to the relevant local land office two years prior to the expiration of such initial term, a HGB title may be extended for an additional term not exceeding 20 years. The Manager understands from its experience that this is the standard industry practice for properties in Indonesia like SHPW. Originally, SHPW had six HGB title certificates (SHGB No. 01666/Cibening, SHGB No. 01667/Cibening, SHGB No. 01668/Cibening, SHGB No. 01669/Cibening, SHGB No. 1670/Cibening (collectively expiring on 14 November 2043) and SHGB No. 01050/Cibening (expiring on 27 November 2043) (collectively, the "**Original HGB Title Certificates**"). One of the original HGB title certificates (SHGB No. 01669/Cibening, expiring 14 November 2043) was segregated on 19 March 2014 and upon completion of the SHPW Acquisition, First REIT will indirectly acquire six HGB title certificates, of which one will be the new HGB title certificate No. 02189/Cibening expiring 14 November 2043, issued in respect of SHPW by the relevant National Land Agency (the "**New SHPW HGB Title Certificates**").

Valuation

Although only one independent valuation is required as the SHPW Acquisition is not an Interested Party Transaction¹ or an Interested Person Transaction², for good corporate governance and transparency, two independent property valuers, W&R and Rengganis, have been appointed by the Trustee and the Manager respectively to value SHPW.

The following table sets out the appraised values, the respective dates of such appraisal and the SHPW Purchase Consideration:

Property	Appraised Value		Purchase Consideration
	By W&R as at 27 February 2014	By Rengganis as at 21 February 2014	
	(S\$ million)	(S\$ million)	(S\$ million)
SHPW	37.47	37.50	31.00

The SHPW Purchase Consideration represents a discount of 17.3% to the higher of the two independent valuations for SHPW.

SHPW Master Lease

In relation to the SHPW Acquisition, a master lease agreement (the “**SHPW Master Lease Agreement**”) will be entered into between the Indonesian Company (as the master lessor of SHPW) and PT MPU (as the master lessee of SHPW) pursuant to which a master lease in relation to SHPW will be granted to PT MPU for a lease term of 15 years, commencing from the date of completion of the SHPW SPA, with an option to renew for a further term of 15 years.

(Paragraph 2.7, page 11 of the Letter to Unitholders provides further details on the terms of the SHPW Master Lease.)

Method of Financing the SHPW Acquisition

S\$26.5 million of the SHPW Purchase Consideration will be paid in cash and the remaining S\$4.5 million will be satisfied by way of the Consideration Units.

The cash portion of the SHPW Acquisition Cost is expected to be financed via a drawdown from First REIT’s committed debt facility.

Obtaining of Unitholders’ Approval

Each of PT PEA and PT MPU (as the master lessee of SHPW) is not an Interested Person³ of the Sponsor under Chapter 9 of the Listing Manual or an Interested Party⁴ of the Sponsor under

1 The term “**Interested Party Transaction**”, as defined in the Property Funds Appendix, refers to transactions described as such in the Property Funds Appendix.

2 As defined in the Listing Manual, the term “**Interested Person Transaction**” means a transaction between an entity at risk and an Interested Person.

3 As defined in the Listing Manual, means:

(a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of First REIT; or

(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.

4 As defined in the Listing Manual, means:

(a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of First REIT; or

(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.

paragraph 5 of the Property Funds Appendix. Therefore, the SHPW Acquisition and the SHPW Master Lease are neither Interested Person Transactions under Chapter 9 of the Listing Manual nor Interested Party Transactions under paragraph 5 of the Property Funds Appendix.

While the approval of Unitholders is not required for the SHPW Acquisition and the SHPW Master Lease, for good corporate governance and transparency, the Manager is seeking the approval of the Unitholders for the SHPW Acquisition and the SHPW Master Lease on a voluntary basis as PT MPU will be sub-leasing SHPW to PT SIH (which is an indirect subsidiary of the Sponsor), or to a subsidiary of PT SIH. The terms of the sub-lease agreement to be entered into between PT SIH (directly or through its subsidiary) and PT MPU will be substantially the same as the terms in other sub-lease agreements that PT SIH (or its subsidiaries) has entered into with the Sponsor with respect to the other properties owned by First REIT where the Sponsor is the master lessee.

As at 26 March 2014, being the latest practicable date prior to the printing of this Circular (the “**Latest Practicable Date**”), the Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 33.59% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a “Controlling Unitholder”¹ of First REIT and a “Controlling Shareholder”² of the Manager respectively under both the Listing Manual and the Property Funds Appendix.

(Paragraph 3, page 19 of the Letter to Unitholders provides further details.)

RESOLUTION 2: THE PROPOSED ISSUANCE OF THE CONSIDERATION UNITS

Partial payment for the SHPW Acquisition

The Manager will make partial payment for the SHPW Acquisition by issuing Consideration Units of the value of S\$4.5 million. Based on an illustrative issue price of S\$1.0686 per Consideration Unit, the total number of the Consideration Units will be equivalent to 4,211,117 Units, representing 0.59% of the total number of Units in issue as at the Latest Practicable Date. The final issue price of the Consideration Units will be determined based on the 10-Day Volume Weighted Average Price of the Units immediately preceding the date of completion of the SHPW Acquisition, in accordance with the provisions of the Trust Deed.

Status of the Consideration Units

The Consideration Units will not be entitled to distributions by First REIT for the period from 1 April 2014 to the date preceding the date of issue of the Consideration Units, and will only be entitled to receive distributions by First REIT from the date of their issue to 30 June 2014 as well as all distributions thereafter. The Consideration Units will, upon issue, rank *pari passu* in all respects with the existing Units in issue.

The Manager is seeking the approval of Unitholders by way of an Ordinary Resolution of the Unitholders for the issuance of the Consideration Units.

RATIONALE FOR THE SHPW ACQUISITION, THE SHPW MASTER LEASE AND THE ISSUANCE OF THE CONSIDERATION UNITS

The Manager believes that the SHPW Acquisition, the SHPW Master Lease and the issuance of the Consideration Units will bring, among others, the following key benefits to Unitholders:

- 1 “**Controlling Unitholder**” means a person who:
 - (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or
 - (b) in fact exercises control over the property fund.
- 2 “**Controlling Shareholder**” means a person who:
 - (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company; or
 - (b) in fact exercises control over a company.

- (i) acquisition of an attractive property with major refurbishment works which were substantially completed within the first quarter of 2014 in Purwakarta, West Java, Indonesia, at a price below the independent valuations;
- (ii) unique opportunity to invest in a growing niche market in Purwakarta, West Java, Indonesia;
- (iii) increased income stability of First REIT through the SHPW Master Lease Agreement and an increase in First REIT's weighted average lease to expiry;
- (iv) increased absolute size of First REIT's asset base which may raise the profile of First REIT among global investors and an increased portfolio size which enhances First REIT's competitive positioning and ability to pursue future acquisitions;
- (v) the SHPW Acquisition enhances the diversification of First REIT's portfolio across locations and medical specialisations; and
- (vi) the issuance of the Consideration Units would limit the increase in First REIT's aggregate leverage.

(Paragraph 5, page 22 of the Letter to Unitholders provides further details.)

PRO FORMA FINANCIAL INFORMATION

Pro Forma Financial Effects of the SHPW Acquisition

The pro forma financial effects of the SHPW Acquisition presented below are strictly for illustrative purposes only and were prepared based on the audited consolidated financial statements of First REIT and its subsidiaries for the financial year ended 31 December 2013 ("**FY2013**", and the audited consolidated financial statements of First REIT and its subsidiaries for FY2013, the "**FY2013 Audited Consolidated Financial Statements**") and on the assumptions set out at paragraph 6.1, page 24 of the Letter to Unitholders, which state, among others, that the distribution per Unit ("**DPU**") was calculated having taken into account the relevant financing costs as well as the issuance of the Consideration Units and the new Units as payment for the acquisition fees.

Financial Year ended 31 December 2013

The pro forma financial effects of the SHPW Acquisition on (i) the DPU for FY2013, as if First REIT had purchased SHPW on 1 January 2013, and held and operated SHPW through to 31 December 2013, and (ii) the net asset value ("**NAV**") per Unit as at 31 December 2013, as if First REIT had purchased SHPW on 31 December 2013, are as follows:

	FY2013	
	Before the SHPW Acquisition⁽¹⁾	After the SHPW Acquisition
Distributable Income (S\$'000)	52,086	53,751
DPU (cents)	7.52	7.54
NAV per Unit (cents)	96.64	97.26

Note:

(1) Based on the FY2013 Audited Consolidated Financial Statements.

(Paragraph 6.1, page 24 of the Letter to Unitholders provides further details and assumptions on the pro forma financial effects of the SHPW Acquisition.)

FIRST REIT

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

Directors of the Manager

Mr Albert Saychuan Cheok (Chairman and Independent Director)
Mr Goh Tiam Lock (Independent Director)
Mr Wong Gang (Independent Director)
Mr Ketut Budi Wijaya (Non-Executive Director)
Dr Ronnie Tan Keh Poo (Chief Executive Officer and Director)

Registered Office

50 Collyer Quay
#06-01 OUE Bayfront
Singapore 049321

11 April 2014

To: Unitholders of First Real Estate Investment Trust

Dear Sir/Madam

1. SUMMARY OF APPROVALS SOUGHT

First REIT's investment policy is to invest in a diversified portfolio of income producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare-related purposes. In furtherance of First REIT's investment policy, the Manager is seeking the approval of Unitholders by way of Ordinary Resolutions at an extraordinary general meeting of Unitholders (the "EGM") for the following resolutions:

- (a) Resolution 1: The SHPW Acquisition and the SHPW Master Lease (Ordinary Resolution) (which is conditional upon the passing of Resolution 2); and
- (b) Resolution 2: The proposed issuance of the Consideration Units (Ordinary Resolution) (which is conditional upon the passing of Resolution 1).

In the event that any of Resolution 1 and 2 is not passed, the Manager will not proceed with the SHPW Acquisition, the SHPW Master Lease and the proposed issuance of the Consideration Units.

2. THE PROPOSED SHPW ACQUISITION AND THE SHPW MASTER LEASE

2.1 Description of SHPW

SHPW comprises a three-storey hospital building and a five-storey hospital building adjoining each other. It has an operational capacity of 100 beds, with a maximum capacity of 203 beds. The three-storey and five-storey hospital buildings were completed in 2005 and 2008 respectively. SHPW is currently undergoing major refurbishment works (which have been substantially completed but which are expected to be fully completed in September 2014), and under the SHPW SPA, PT MPU and PT PEA are responsible for, and will pay for all costs in relation to, the refurbishment of SHPW. In addition, PT MPU and PT PEA are also responsible for the capital expenditures of SHPW for the next two years upon completion of the SHPW Acquisition. PT MPU will therefore be entering into the master lease agreement to retain oversight over the property and ensure that its obligations (which include satisfactory completion of the refurbishment works of SHPW) are met. In addition, PT MPU and its indirect wholly-owned subsidiary PT PEA do not have experience in running and operating hospitals, and therefore, PT SIH has been sought to advise, manage and operate the hospital by way of a sub-letting arrangement which will be entered into between PT PEA and PT SIH or its subsidiary before the completion of the sale of SHPW to First REIT, and this sub-letting arrangement will be assigned/novated by PT PEA to PT MPU on or after the completion of the sale of SHPW to First REIT.

Prior to the completion of the SHPW Acquisition, SHPW will commence operations under the “Siloam Hospitals” brand and upon SHPW commencing operations under the “Siloam Hospitals” brand, PT SIH, or its subsidiary, will be the sub-lessee of SHPW. SHPW has a total GFA of about 8,254 sq m and is located at Jalan Bungursari No. 1, Purwakarta, West Java, Indonesia. It is equipped with state-of-the-art medical equipment and has 250 vehicle parking spaces. SHPW is a Centre of Excellence for emergency and trauma, and is registered to treat patients under the Health Ministry’s Social Security Management Agency (*Badan Penyelenggara Jaminan Sosial/BPJS*) Program.

(**APPENDIX A** of this Circular provides further details about SHPW.)

2.2 Structure of the SHPW Acquisition

First REIT is seeking to acquire SHPW for a purchase consideration of S\$31.0 million from PT PEA, which is an indirect wholly-owned subsidiary of PT MPU¹. In furtherance of the SHPW Acquisition, First REIT has on 12 March 2014 acquired a 100.0% interest in Finura Investments for a nominal consideration of S\$1.00. Finura Investments in turn wholly-owns Glamis Investments. Subsequently, First REIT, through Finura Investments, has on 12 March 2014 entered into the SHPW SPA.

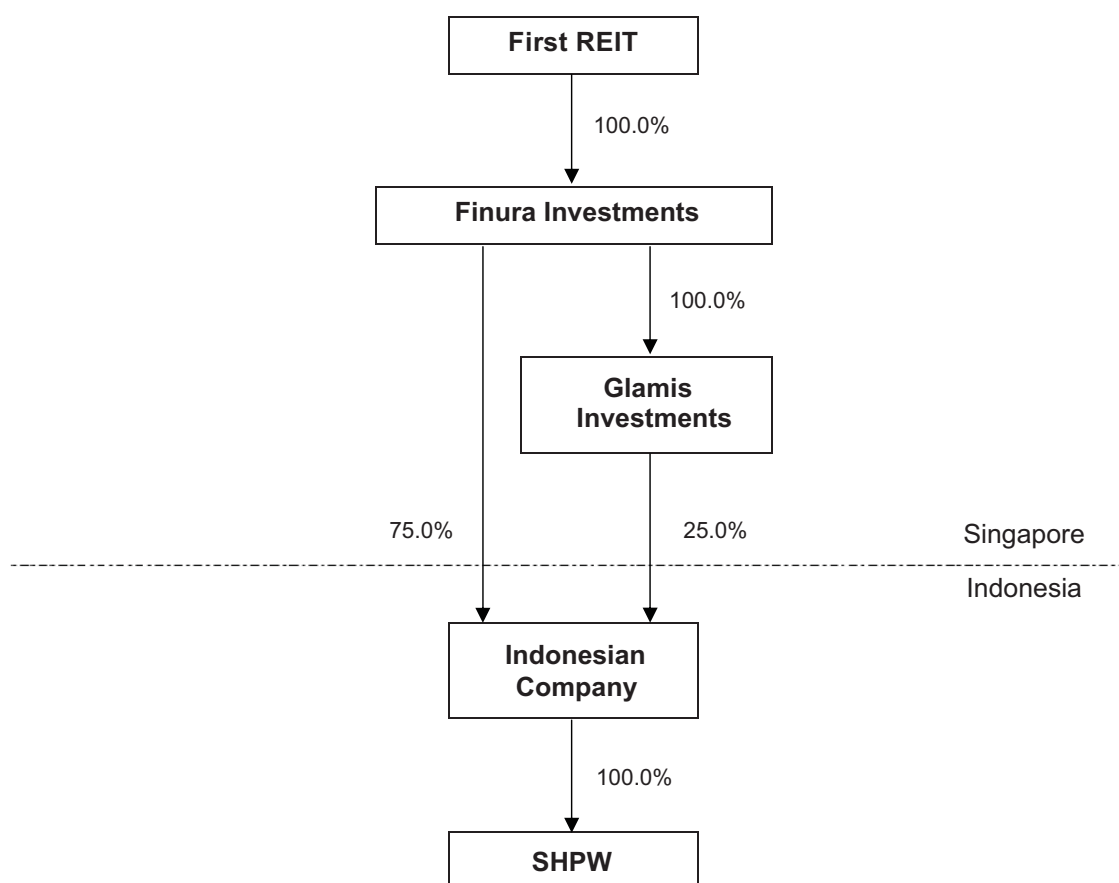
As Indonesian law does not consider First REIT to be a legal entity with the legal capacity to directly own land in Indonesia or shares in an Indonesian limited liability company and Indonesian Agrarian Law does not allow a foreign entity or individual to own Indonesian real estate, the SHPW SPA provides that Finura Investments has the right to nominate an Indonesian company to enter into the New SHPW SPA. The New SHPW SPA contains the same terms as that of the SHPW SPA. Upon such entry, Finura Investments and PT PEA will enter into the Termination Agreement to terminate the SHPW SPA.

For the avoidance of doubt, Finura Investments intends to nominate the Indonesian Company to enter into the New SHPW SPA. The Indonesian Company has been incorporated and is wholly-owned by Finura Investments and its wholly-owned subsidiary, Glamis Investments. Pursuant to Indonesian Company Law, an Indonesian limited liability company must be owned by at least two entities. Therefore, the Indonesian Company, being an Indonesian limited liability company, has two shareholders and the proposed holding structure for SHPW is consistent with Indonesian Company Law.

Upon completion of the SHPW Acquisition, First REIT will indirectly hold SHPW through the Indonesian Company under six HGB title certificates, of which five HGB title certificates will expire on 14 November 2043 and one HGB title certificate will expire on 27 November 2043.

The following chart sets out the structure under which SHPW will be held by First REIT upon completion of the SHPW Acquisition, as well as the resulting shareholding and ownership interest in the entities set out below.

¹ PT PEA is not an Interested Person or an Interested Party of any of the Manager, the Sponsor, or the Trustee.



2.3 Valuation and Purchase Consideration

The SHPW Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into account the two independent valuations of SHPW by W&R and Rengganis, which were commissioned by the Trustee and the Manager respectively¹. The valuations were derived by W&R and Rengganis using the income approach utilising the discounted cash flow method as the subject property will be under a master lease agreement with PT MPU (as the master lessee of SHPW). This approach considers the subject property as an income producing property.

(APPENDIX B provides further details on the Independent Valuers' respective valuations.)

Property	Appraised Value		Purchase Consideration
	By W&R as at 27 February 2014	By Rengganis as at 21 February 2014	
	(S\$ million)	(S\$ million)	(S\$ million)
SHPW	37.47	37.50	31.00

The SHPW Purchase Consideration represents a discount of 17.3% to the higher of the two independent valuations for SHPW.

¹ Although only one independent valuation is required as the SHPW Acquisition is not an Interested Party Transaction or an Interested Person Transaction, for good corporate governance and transparency, two independent property valuers, W&R and Rengganis, have been appointed by the Trustee and the Manager respectively to value SHPW.

2.4 Experience and track record of the Independent Valuers

Further to the decree of the Ministry of Finance of the Republic of Indonesia (“**MOF Indonesia**”), (No. 125/PMK.01/2008) on public appraisal services (the “**Decree**”), public appraisers are not permitted to provide appraisal services in Indonesia unless they have the status of *Kantor Jasa Penilai Publik* (“**KJPP**”), or Accredited Public Appraiser Firms, to provide such appraisal services. The Decree does not address the issue of foreign appraisers, but is intended to regulate the conduct of public appraisal services in Indonesia and it is likely that all relevant Indonesian governmental authorities would only recognise and accept appraisal reports from appraisers with KJPP status. As international valuers do not have KJPP status, the Independent Valuers were engaged.

W&R

W&R was established in 2009 and was formerly the valuation department of PT Willson Properti Advisindo established in 2001. W&R provides property valuation and consultancy services with international and domestic experience, and its clientele includes major international and local companies. The partners of W&R are qualified public valuers licensed with MOF Indonesia and registered with the Indonesian Capital Market and Financial Services Authority (“**OJK**”) and are also members of the Indonesian Society of Appraisers (*Masyarakat Profesi Penilai Indonesia*) (“**MAPPI**”).

Rengganis

KJPP Rengganis, Hamid & Rekan is an independent valuation firm registered in MAPPI, previously known as PT Heburinas Nusantara in association with CBRE Pte. Ltd. (established in 1996). Effective 1 March 2010, Rengganis established a strategic alliance with CBRE Pte. Ltd., a global property services company. Rengganis is provided with a business permit from the Ministry of Finance and registered with OJK. Its valuation staff has international and domestic experience and its clientele includes major international and local companies.

2.5 Conditions precedent for the Completion of the SHPW Acquisition

Completion of the sale and purchase of SHPW is conditional upon the fulfilment or waiver (as the case may be) of, among others, the following:

- 2.5.1 the approval by Unitholders to be given at the EGM for the SHPW Acquisition and the SHPW Master Lease;
- 2.5.2 the approval by Unitholders to be given at the EGM for the proposed issuance of the Consideration Units as part consideration for the SHPW Acquisition;
- 2.5.3 First REIT securing sufficient financing to undertake the SHPW Acquisition and the agreements for such financing not having been terminated and being unconditional in all respects;
- 2.5.4 there being no adverse change to the financial condition of PT MPU (as the master lessee of SHPW) or its ability to make payment to the Indonesian Company under the SHPW Master Lease Agreement;
- 2.5.5 the Original HGB Title Certificates have been segregated into the New SHPW HGB Title Certificates, with proper legal and good marketable title to SHPW having been delivered to PT PEA;
- 2.5.6 the entry by the Indonesian Company and PT PEA into the New SHPW SPA; and
- 2.5.7 the entry by Finura Investments and PT PEA into the Termination Agreement.

The conditions precedent set out at sub-paragraphs 2.5.1 and 2.5.2 above are subject to the approval of Unitholders other than the Sponsor, parties acting in concert with the Sponsor and parties which are not independent of the Sponsor (the “**Independent Unitholders**”) at the EGM. On the method of financing to undertake the SHPW Acquisition, please see paragraph 2.10 below. The condition precedent set out at sub-paragraph 2.5.4 above is subject to there being no adverse change to the financial condition of PT MPU (as the master lessee of SHPW) or its ability to make payment to the Indonesian Company under the SHPW Master Lease Agreement – this is intended for the benefit and protection of First REIT and its Independent Unitholders.

The condition precedent set out at sub-paragraph 2.5.5 above has been satisfied, as the SHGB No. 01669/Cibening was segregated into two new SHGB title certificates issued on 19 March 2014. Upon completion of the SHPW Acquisition, First REIT (through the Indonesian Company) will indirectly acquire the New SHPW HGB Title Certificates, of which one will be the new HGB title certificate No. 02189/Cibening from the segregation of SHGB No. 01669/Cibening issued on 19 March 2014.¹

Upon the fulfilment or waiver (as the case may be) of, among others, the conditions precedents in sub-paragraphs 2.5.1 to 2.5.7, a deed of sale and purchase of land (covering a total area of 7,990 sq m under the Original SHGB Title Certificates) (the “**Deed of Land SPA**”) shall be executed before the authorised Land Deed Officer (*Pejabat Pembuat Akta Tanah*) between the Indonesian Company and PT PEA in accordance with the applicable Indonesian laws. This Deed of Land SPA must be executed by 31 July 2014.

2.6 Indemnity in relation to the SHPW SPA

The Trustee will also enter into a deed of indemnity (the “**Deed of Indemnity**”) with PT MPU pursuant to which PT MPU will, subject to certain conditions, indemnify the Trustee against liabilities or damages suffered by the Trustee arising from the SHPW Acquisition. These conditions include, among others, that:

- (a) the maximum aggregate liability in respect of all claims under the deed of indemnity shall not exceed the purchase price;
- (b) written particulars shall have been notified in writing to the indemnifying party before the expiry of a period of 48 months for taxation claims and 24 months for any other claims from the date of completion; and
- (c) unless such claim has already been settled to the satisfaction of the Trustee, proceedings in respect of the claim shall have been commenced by being both issued and served within four months of the expiry of the period mentioned in sub-paragraph (b) above.

2.7 The SHPW Master Lease Agreement

In relation to the SHPW Acquisition, the SHPW Master Lease Agreement will be entered into between the Indonesian Company (as the master lessor of SHPW) and PT MPU (as the master lessee of SHPW) pursuant to which the SHPW Master Lease will be granted to PT MPU for a lease term of 15 years, commencing from the date of completion of the SHPW SPA with an option to renew for a further term of 15 years. Some of the key terms of the SHPW Master Lease Agreement are as follows.

2.7.1 Base Rent

The SHPW Master Lease is granted at an initial base rent of S\$3,400,000 (the “**SHPW Base Rent**”) per annum. In the absence of direct hospital asset comparables, the Manager has used one of its existing properties, Siloam Hospitals Lippo Cikarang (“**SHLC**”), for which the tenant is currently paying S\$3.03 per square foot (“**sq ft**”) per month as a

¹ The Original HGB Title Certificates have been segregated into a total of seven HGB title certificates, of which six HGB title certificates will expire on 14 November 2043 and one HGB title will expire on 27 November 2043. Upon completion of the SHPW Acquisition, First REIT will indirectly acquire the New SHPW HGB Title Certificates.

comparison with SHPW and for which the tenant will be paying S\$3.19 per sq ft per month based on the contracted base rent. The rate of S\$3.19 per sq ft per month was arrived at based on commercial negotiations between willing parties. At this rental rate, First REIT will be able to achieve its required rate of return. This rental rate is also in line with the current rental of the closest of the comparable assets in First REIT's portfolio, namely SHLC. Due to the lack of prior transactions and relevant data of other comparable hospitals and medical centers in Indonesia, especially those with sales and master lease arrangements similar to the subject property, the Manager is of the view that SHLC is the closest and best comparable to SHPW in terms of geographical location and asset characteristics. As the yield in relation to the annual SHPW Base Rent meets the Manager's commercial requirements and is in line with current market rates, the Manager is of the view that it is reasonable.

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

Property	Current Yield (% p.a.)
Siloam Hospitals Lippo Village	8.84%
Siloam Hospitals Kebon Jeruk	8.78%
Siloam Hospitals Surabaya	9.62%
Imperial Aryaduta Hotel & Country Club	9.94%
Mochtar Riady Comprehensive Cancer Centre	8.50%
SHLC	9.59%
Siloam Hospitals Manado & Hotel Aryaduta Manado	8.38%
Siloam Hospitals Makassar	8.16%
Siloam Hospitals Bali	8.27%
Siloam Hospitals Simatupang	8.26%
SHPW	10.97%

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

(Paragraph 2.7.9 below provides details of the opinion of the audit committee of the Manager, comprising Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Wong Gang (the "Audit Committee") on the SHPW Base Rent for the first year of the SHPW Master Lease.)

The SHPW Base Rent is payable quarterly in advance and will be subject to increase every year after the initial period of three years from the commencement of the SHPW Master Lease, at a rate equal to twice the percentage increase of the Consumer Price Index of Singapore (the "Singapore CPI") for the preceding calendar year, subject to a floor of 0.0% and a cap of 2.0%. Rental escalation in relation to SHPW is pegged to the Singapore CPI as the rental is payable in Singapore dollars, as is the case with the Existing Portfolio¹. The historical trends of the Singapore CPI (the average Singapore CPI was approximately

¹ "Existing Portfolio" means the portfolio of properties currently held by First REIT, consisting of: its properties in Indonesia, Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar, Mochtar Riady Comprehensive Cancer Centre, SHLC, Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Imperial Aryaduta Hotel & Country Club; its properties in Singapore, Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang, The Lantor Residence; and its property in the Republic of South Korea, Sarang Hospital.

1.9% over the 15-year period between 1998 and 2013) provide assurance that the rental adjustments will be relatively stable compared with the Indonesia CPI. This is in line with First REIT's intent to offer stable distributions to investors. As SHPW's annual rental income is denominated in Singapore dollars, which has been agreed by the parties and stipulated in the SHPW Master Lease Agreement, there is no risk of exchange rate exposure vis-à-vis the Indonesian Rupiah. Accordingly, in Singapore dollar terms, there would be no real reduction in the rental rate when compared to the long run inflation rate in Singapore.

The Manager is also of the view that the cap of 2.0% is reasonable as it is consistent with the Existing Portfolio. For the avoidance of doubt, a negative Singapore CPI will not decrease the annual SHPW Base Rent.

2.7.2 Variable Rent

Variable rent is payable quarterly in advance and no variable rent will be payable in the first, second and third year of the SHPW Master Lease. No variable rent will be payable for the first three years of operations as this will enable the tenant to conserve its cash flow to step up and enhance its operations to an optimal level. Variable rent for the fourth year and for subsequent years of the SHPW Master Lease is based on the SHPW Gross Operating Revenue¹ growth and is calculated as described in sub-paragraph 2.7.4. The Manager also wishes to note that the SHPW Base Rent already forms the main bulk of the SHPW Total Rent² which adequately achieves First REIT's required rate of return. SHPW's variable rent constitutes only a small proportion of the SHPW Total Rent.

2.7.3 Fixed Exchange Rate

The SHPW Total Rent shall be paid in Singapore dollars. In respect of the variable rent, if the gross operating revenue on which the calculation of the variable rent is based is calculated in Indonesian Rupiah, the SHPW Total Rent will be paid according to the exchange rate of S\$1.00 to Rp. 9,500 (which shall be fixed for the entire lease term).

2.7.4 Computation of Variable Rent for the Fourth Year of the SHPW Master Lease

No variable rent will be payable in the first, second and third year of the SHPW Master Lease. For the fourth year and for subsequent years of the SHPW Master Lease, the variable rent payable is computed as follows:

- where the SHPW Gross Operating Revenue for the preceding financial year exceeds the SHPW Gross Operating Revenue for the further preceding financial year by an amount that is 5.0% or more but less than 15.0%, the variable rent payable by the master lessee of SHPW shall be equivalent to 0.75% of such excess amount;
- where the SHPW Gross Operating Revenue for the preceding financial year exceeds the SHPW Gross Operating Revenue for the further preceding financial year by an amount that is 15.0% or more but less than 30.0%, the variable rent payable by the master lessee of SHPW shall be equivalent to 1.25% of such excess amount; and
- where the SHPW Gross Operating Revenue for the preceding financial year exceeds the SHPW Gross Operating Revenue for the further preceding financial year by an amount of 30.0% or more, the variable rent payable by the master lessee of SHPW shall be equivalent to 2.0% of such excess amount.

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

2 "SHPW Total Rent" refers to the sum of the SHPW Base Rent and SHPW's variable rent.

For the avoidance of doubt, when the SHPW Gross Operating Revenue of the preceding financial year of the lessee does not exceed the SHPW Gross Operating Revenue of the further preceding financial year by 5.0% or more, no variable rent is payable.

2.7.5 Illustration of Computation of Variable Rent

(i) Assumptions

The following is an illustration of the computation of the variable rent in relation to SHPW for the fourth year of lease based on the assumptions that:

- (a) the SHPW Master Lease commenced on 1 January 2014;
- (b) the fourth year of lease will commence on 1 January 2017;
- (c) the SHPW Gross Operating Revenue for the financial year ended 31 December 2015 (“FY2015”) is Rp. 110,000,000,000;
- (d) the SHPW Gross Operating Revenue for the financial year ended 31 December 2016 (“FY2016”) is Rp. 130,000,000,000; and
- (e) further to sub-paragraphs 2.7.5(i)(c) and (d) above, the SHPW Gross Operating Revenue growth for FY2016 over that of FY2015 is 18.2% and the surplus of the SHPW Gross Operating Revenue for FY2016 over that of FY2015 is Rp. 20,000,000,000.

(ii) Variable rent for the fourth year

Based on the assumptions set out in sub-paragraph 2.7.5(i) above, the variable rent in respect of SHPW for the fourth year of lease will be 1.25% x Rp. 20,000,000,000; (i.e. Rp. 250,000,000; or approximately S\$26,315.79⁽¹⁾). The rate of 1.25% is derived from the terms of the SHPW Master Lease Agreement for computation of SHPW’s variable rent as set out in sub-paragraph 2.7.4 above.

Note:

- (1) The total variable rent payable in respect of SHPW in the fourth year of lease and based on the on the fixed exchange rate of S\$1.00: Rp. 9,500.

2.7.6 Assignment/Subletting

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

PT MPU shall not sub-let SHPW without the prior written consent of the Indonesian Company (such consent not to be unreasonably withheld) and subject to such terms and conditions which the Indonesian Company may impose, provided always that PT MPU shall not be required to seek the consent of the Indonesian Company, but only notify the Indonesian Company in writing, in the event of any sub-lease of SHPW by PT MPU to PT SIH or a subsidiary of PT SIH.

2.7.7 Maintenance and other Operating Expenses of SHPW

PT MPU (as the master lessee of SHPW) will be responsible for all outgoings including, but not limited to, expenses relating to the internal and external property repairs and maintenance, landscaping, utility costs, property related taxes. Accordingly, First REIT will not be affected by any cost escalation in Indonesia of maintenance and operation expenses in relation to SHPW.

2.7.8 Insurance

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

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

PT MPU shall pay for any increase in premium payable due to increase in sum insured for property all-risk (including earthquake), if any.

The Manager believes that the insurance policies taken out by PT MPU for SHPW are consistent with industry practice in Indonesia.

2.7.9 Audit Committee's opinion on the SHPW Base Rent for the first year of the SHPW Master Lease

The size, location and age of SHLC and SHPW are set out in the table below:

Property	Location	GFA (sq m)	Age of Property (years)
SHLC	Cikarang, Bekasi, Indonesia	11,125.00	12
SHPW	Jalan Bungursari No. 1, Sub-district Cibening, District Campaka, Purwakarta, West Java, Indonesia	8,254.00	9 (for the three-storey building) and 6 (for the five-storey building)

The Audit Committee is of the opinion that it is reasonable to benchmark the rental rates of SHPW to those of SHLC for the following reasons:

- (i) each of SHPW and SHLC provides primary, secondary and tertiary healthcare services with advanced and high-quality medical care and facilities;
- (ii) each of SHPW and SHLC serves the middle to upper middle-income patient brackets within the catchment areas of Purwakarta and Bekasi respectively;
- (iii) SHPW and SHLC are located relatively close to each other;
- (iv) each of SHPW and SHLC is a Centre of Excellence for emergency and trauma; and
- (v) the age of the buildings at SHPW are newer compared to the age of the building at SHLC.

In view of the above reasons and SHLC's current rental of S\$3.03 per sq ft per month, the Audit Committee is also of the opinion that SHPW's rental rate of S\$3.19 per sq ft per month for the first year of the SHPW Master Lease under the SHPW Master Lease Agreement is reasonable.

2.7.10 Indonesian Currency Law

On 28 June 2011, the Government of the Republic of Indonesia issued Law No. 7 of 2011 on Currency (*Undang Undang Mata Uang*) ("**Law No. 7/2011**"), which provides that the Indonesian Rupiah currency shall be used in every payment transaction, fulfillment of other money obligations and/or other financial transactions within the territory of the Republic of Indonesia, except in cases involving certain transactions for the implementation of the state budget, grants to or from other countries, international trade transactions, foreign currency bank deposits and international financing transactions.

The implementing regulation pursuant to Article 47 of Law No. 7/2011 is to be issued within 1 (one) year from its effective date of 28 June 2011 but other than the enactment of Bank of Indonesia Regulation No. 14/7/PBI/2012 concerning the Management of Indonesian Rupiah Currency (*Pengelolaan Uang Rupiah*) by Bank of Indonesia, no implementing regulation has been issued as of the Latest Practicable Date. Since Law No. 7/2011 is new and untested, there is uncertainty as to how this law will be interpreted or applied in relation to the SHPW Master Lease Agreement.

In addition, it is provided that a person is prohibited from refusing to receive Indonesian Rupiah for payment or fulfilment of an obligation to be fulfilled in Indonesian Rupiah and/or for other financial transactions within the territory of the Republic of Indonesia, unless there is doubt as to the authenticity of the Indonesian Rupiah and that the above is exempted for foreign currency payments or fulfilment of obligations which have been agreed in writing.¹

There is uncertainty regarding the implementation of Articles 21 and 23 of Law No. 7/2011, as Article 23 prohibits settlement in a currency other than Rupiah, while Article 21 provides a number of exceptions to the prohibition of the rejection of Rupiah. To address public concerns, MOF Indonesia, through the Directorate General of Treasury of the Republic of Indonesia, had on 6 December 2011 issued a document to the public on the interpretation of Law No. 7/2011, the Currency Law ("**MOF Interpretation**"). The MOF Interpretation explains that the Currency Law of Law No. 7/2011 only applies to cash transactions (bank notes and coins). Non-physical transactions (*uang giral*) (e.g. cheques and letter of credits) or through electronic payment systems are permitted. The MOF Interpretation also explains that the transactions as mentioned in Article 23 of Law No. 7/2011 can be exempted by a contractual arrangement existing or entered into either before or after the enactment of Law No. 7/2011. However, it should be noted that the MOF Interpretation is not a legislative product and arguably may be subject to challenge. Every person who does not comply with Law No. 7/2011 is in violation and guilty of misdemeanor and is punishable by up to one year of confinement or a fine of up to Rp. 200 million.

Since Law No. 7/2011 is untested, there is uncertainty as to how this law will be interpreted or applied in relation to the SHPW Master Lease Agreement.

In any case, it is provided in the SHPW Master Lease Agreement that if as a result of any enactment of a new law, the SHPW Total Rent is required to be paid in Indonesian Rupiah, the master lessee of SHPW shall:

1 Article 23 of Law No. 7/2011.

- (i) with effect from the date that such requirement comes into effect, pay the SHPW Total Rent in Indonesian Rupiah in such amount equivalent to the SHPW Total Rent in Singapore dollars at such conversion rate as may be mutually agreed between the master lessor and master lessee, or, in the absence of such agreement, at the prevailing conversion rate of the Bank of Indonesia; and
- (ii) bear any hedging and other costs of the master lessor of SHPW in order to ensure that the SHPW Total Rent is not less than the amount that the master lessor of SHPW would have received had the SHPW Total Rent been paid by the master lessee of SHPW in Singapore dollars.

2.8 Completion

Completion of the sale and purchase of SHPW under the SHPW SPA is expected to take place as soon as practicable after raising adequate proceeds for the SHPW Acquisition and after the conditions precedent set out in the SHPW SPA have been fulfilled.

2.9 SHPW Acquisition Cost

The SHPW Acquisition Cost is currently estimated to be approximately S\$31.88 million, comprising the following:

- 2.9.1 the SHPW Purchase Consideration of S\$31.0 million;
- 2.9.2 the SHPW Acquisition Fee¹ of S\$0.31 million payable to the Manager pursuant to Clause 14.2.1 of the Trust Deed which may be payable in the form of cash and/or Units as the Manager may elect; and
- 2.9.3 the estimated professional and other fees and expenses of approximately S\$0.57 million² to be incurred by First REIT in connection with the SHPW Acquisition.

2.10 Method of Financing the SHPW Acquisition

S\$26.5 million of the SHPW Purchase Consideration will be paid in cash and the remaining S\$4.5 million will be satisfied by way of the Consideration Units.

The cash portion of the SHPW Acquisition Cost is expected to be financed via a drawdown from First REIT's committed debt facility.

2.11 HGB Title

Upon completion of the SHPW Acquisition, First REIT will indirectly hold SHPW through the Indonesian Company under six HGB title certificates³, of which five HGB title certificates are expiring on 14 November 2043 and one HGB title is expiring on 27 November 2043. In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of 'leasehold' title and under Indonesian Agrarian Law, the highest title which can be obtained by a company incorporated or located in Indonesia is a 'Right to Build' or HGB title. HGB title certificates can only be obtained by an Indonesian citizen, or by a legal entity which is incorporated under Indonesian law and located in Indonesia including foreign capital investment companies. A holder of the HGB title has the right to erect, occupy and use buildings on the parcel of land and sell all or part of such parcel. This right is transferable and may be encumbered. A HGB title is granted for a maximum initial term of 30 years. By application to the relevant local land office two years prior to the expiration of this initial term, a HGB title may be extended for an additional term not

¹ Being 1.0% of the SHPW Purchase Consideration.

² It is expected that most of the professional and other fees and expenses in connection with the SHPW Acquisition will be incurred by First REIT even if the Manager does not proceed with the SHPW Acquisition.

³ The Original HGB Title Certificates have been segregated into a total of seven HGB title certificates, of which six HGB title certificates will expire on 14 November 2043 and one HGB title will expire on 27 November 2043. Upon completion of the SHPW Acquisition, First REIT will indirectly acquire the New SHPW HGB Title Certificates.

exceeding 20 years. The application for an extension must be made no later than two years prior to the expiration of the initial term at the National Land Office. Upon the expiration of the extension, the land owner may apply for a renewal and a new HGB title may be granted on the same land to the same owner by fulfilling certain requirements. The application for the new HGB title should be made no later than two years prior to the expiration of the extension. The cost of extension is determined based on certain formulas as stipulated by the National Land Office. The National Land Office tends to grant an extension or renewal of HGB title certificates, subject to there being no changes in zoning policies by the government, abandonment of the land, destruction of land, egregious breaches of the conditions of the current HGB title by the owners of the land, and revocation of the HGB title due to public interest considerations.

The Manager had previously successfully renewed the HGB title certificates of Siloam Hospitals Surabaya. Siloam Hospitals Surabaya is held under HGB Certificate No. 325/Gubeng, HGB Certificate No. 343/Gubeng, HGB Certificate No. 340/Gubeng, HGB Certificate No. 476/Gubeng, HGB Certificate No. 494/Gubeng, HGB Certificate No. 408/Gubeng, HGB Certificate No. 410/Gubeng, HGB Certificate No. 243K/Gubeng and HGB Certificate No. 264/Gubeng. Three of these HGB title certificates, being HGB Certificate No.243K/Gubeng, HGB Certificate No.264/Gubeng and HGB Certificate No.325/Gubeng, expired on 1 February 2009, 19 September 2010 and 31 March 2013 respectively. The Manager had on 12 November 2008, 20 November 2008 and 25 February 2013 successfully renewed all three HGB Certificate No.243K/Gubeng, HGB Certificate No.264/Gubeng and HGB Certificate No.325/Gubeng till 31 January 2029, 18 September 2030 and 30 March 2033 respectively.

The Manager had also successfully renewed three HGB title of Siloam Hospitals Lippo Village. Siloam Hospitals Lippo Village is held under HGB Certificate No. 9687/Bencongong, HGB Certificate No. 01261/Bencongong Indah (originally HGB Certificate No. 4439/Bencongong)¹, HGB Certificate No. 02160/Bencongong Indah (originally HGB Certificate No. 9688/Bencongong)², HGB Certificate No. 6938/Bencongong, HGB Certificate No. 3867/Bencongong, HGB Certificate No. 10186/Bencongong and HGB Certificate No. 10187/Bencongong. Three of these HGB title certificates, being HGB Certificate No. 9687/Bencongong, HGB Certificate No. 01261/Bencongong Indah and HGB Certificate No. 02160/Bencongong Indah expired on 25 December 2011, 26 July 2012 and 26 July 2012 respectively. The Manager had on 2 May 2011 successfully renewed HGB Certificate No. 9687/Bencongong till 25 December 2031 and on 25 January 2012 successfully renewed HGB Certificate No. 01261/Bencongong Indah and HGB Certificate No. 02160/Bencongong Indah till 26 July 2032.

The Manager had also successfully renewed four HGB title certificates of Imperial Aryaduta Hotel & Country Club. Imperial Aryaduta Hotel & Country Club is held under HGB Certificate No. 01335/Bencongong Indah (Originally HGB Certificate No. 9392/Bencongong)³, HGB Certificate No. 01332/Bencongong Indah (Originally HGB Certificate No. 9393/Bencongong)⁴, HGB Certificate No. 01333/Bencongong Indah (Originally HGB Certificate No. 10859/Bencongong)⁵, HGB Certificate No. 01334/Bencongong Indah (Originally HGB Certificate No. 14411/Bencongong)⁶, HGB Certificate No. 9678/Bencongong, HGB Certificate No. 9679/Bencongong, HGB Certificate No. 9680/Bencongong, HGB Certificate No. 9681/Bencongong, HGB Certificate No. 9682/Bencongong, HGB Certificate No. 9683/Bencongong, HGB Certificate No. 10856/Bencongong, HGB Certificate No. 10857/Bencongong, HGB Certificate No. 00061/Bencongong Indah, HGB Certificate No. 00062/Bencongong Indah and HGB Certificate No. 00063/Bencongong Indah. Four of these HGB title certificates, being HGB Certificate No. 01335/Bencongong Indah, HGB Certificate No. 01332/Bencongong Indah,

1 Change in HGB Certificate No. is due to region enlargement by National Land Office.
2 Change in HGB Certificate No. is due to region enlargement by National Land Office.
3 Change in HGB Certificate No. is due to region enlargement by National Land Office.
4 Change in HGB Certificate No. is due to region enlargement by National Land Office.
5 Change in HGB Certificate No. is due to region enlargement by National Land Office.
6 Change in HGB Certificate No. is due to region enlargement by National Land Office.

HGB Certificate No. 01333/Bencongong Indah and HGB Certificate No. 01334/Bencongong Indah expired on 26 July 2012. The Manager had on 4 April 2012 successfully renewed HGB Certificate No. 01335/Bencongong Indah, HGB Certificate No. 01332/Bencongong Indah, HGB Certificate No. 01333/Bencongong Indah and HGB Certificate No. 01334/Bencongong Indah till 26 July 2032.

Pursuant to one of the Building Construction Licenses of SHPW, SHPW is located and constructed on six connected parcels of land represented by HGB Certificate No. 01050/Cibening, HGB Certificate No. 01666/Cibening, HGB Certificate No. 01667/Cibening, HGB Certificate No. 01668/Cibening, HGB Certificate No. 01670/Cibening and HGB Certificate No. 01669/Cibening. This is similar to some of the Indonesia properties in First REIT's Existing Portfolio where a single property is constructed on parcels of land which are represented by more than one HGB certificate.

Property	No. of HGB Title Certificates
Siloam Hospitals Lippo Village	7
Siloam Hospitals Surabaya	9
Imperial Aryaduta Hotel & Country Club	15
Siloam Hospitals Manado & Hotel Aryaduta Manado	6

3. REQUIREMENT FOR UNITHOLDERS' APPROVAL

3.1 Obtaining of Unitholders' Approval

Each of PT PEA and PT MPU (as the master lessee of SHPW) is not an Interested Person of the Sponsor under Chapter 9 of the Listing Manual or an Interested Party of the Sponsor under paragraph 5 of the Property Funds Appendix. Therefore, the SHPW Acquisition and the SHPW Master Lease are not Interested Person Transactions under Chapter 9 of the Listing Manual and are not Interested Party Transactions under paragraph 5 of the Property Funds Appendix.

While the approval of Unitholders is not required for the SHPW Acquisition and the SHPW Master Lease, for good corporate governance and transparency, the Manager is seeking the approval of the Unitholders for the SHPW Acquisition and the SHPW Master Lease on a voluntary basis as PT MPU will be sub-leasing SHPW to PT SIH (which is an indirect subsidiary of the Sponsor) or to a subsidiary of PT SIH. The terms of the sub-lease agreement to be entered into between PT SIH (directly or through its subsidiary) and PT MPU will be substantially the same as the terms in other sub-lease agreements that PT SIH (or its subsidiaries) has entered into with the Sponsor with respect to the other properties owned by First REIT where the Sponsor is the master lessee.

As at the Latest Practicable Date, the Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 33.59% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a "Controlling Unitholder" of First REIT and a "Controlling Shareholder" of the Manager respectively under both the Listing Manual and the Property Funds Appendix.

Based on the FY2013 Audited Consolidated Financial Statements, the latest consolidated audited net tangible asset value ("NTA") of First REIT was S\$682.9 million and the NAV of First REIT was S\$682.9 million as at 31 December 2013. The value of the SHPW Master Lease is S\$56.7 million which is 8.3% of the NTA and NAV of First REIT as at 31 December 2013.

3.2 Existing Interested Person Transactions

First REIT has not entered into any Interested Person Transactions, including leases, with the Sponsor and/or any associate of the Sponsor in the current financial year. The management fees paid during the current financial year are set out in the Trust Deed, which has been approved as an "exempted agreement" pursuant to First REIT's initial public offering.

3.3 Fees Payable to the Manager

As the SHPW Acquisition does not constitute an Interested Party Transaction under the Property Funds Appendix, the SHPW Acquisition Fee shall be payable to the Manager in cash and/or new Units as the Manager may elect.

After completion of the SHPW Acquisition, the Manager will also be entitled under the Trust Deed to receive from First REIT, management fees attributable to SHPW comprising a base fee of 0.4% per annum of the value of SHPW and a performance fee of 5.0% per annum of the Net Property Income¹ of SHPW. The Manager will be entitled to the management fees attributable to SHPW in the future for so long as SHPW continues to form part of the investment portfolio of First REIT.

For illustrative purposes only, based on the FY2013 Audited Consolidated Financial Statements and the assumptions set out at paragraph 6.1 below, and assuming First REIT had purchased SHPW on 1 January 2013, and held and operated SHPW through to 31 December 2013, the pro forma base fee attributable to SHPW for FY2013 is S\$150,000 and the pro forma performance fee attributable to SHPW for FY2013 is S\$167,000.

3.4 Approval by Unitholders for the SHPW Acquisition and the SHPW Master Lease

In approving the SHPW Acquisition and the SHPW Master Lease, Unitholders are deemed to have approved all documents which are required to be executed by the parties in order to give effect to the SHPW Acquisition and the SHPW Master Lease.

3.5 Interests of Directors and Substantial Unitholders

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 Directors	Direct Interest		Deemed Interest		Total no. of Units held	% ⁽¹⁾
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾		
Mr Albert Saychuan Cheok	672,210	0.0945	–	–	672,210	0.0945
Mr Goh Tiam Lock	–	–	–	–	–	–
Mr Wong Gang	30,580	0.0043	–	–	30,580	0.0043
Mr Ketut Budi Wijaya	–	–	–	–	–	–
Dr Ronnie Tan Keh Poo ⁽²⁾	121,832	0.0171	7,993,964	1.1233	8,115,796	1.1404

Notes:

- (1) Percentage interest is based on 711,623,400 Units in issue as at the Latest Practicable Date.
- (2) Dr Ronnie Tan Keh Poo is deemed to be interested in (i) 3,302,869 Units held by his nominee, OCBC Nominees Singapore Pte. Ltd., (ii) 3,044,733 Units held by his nominee, CIMB Securities (Singapore) Pte. Ltd., (iii) 1,336,612 Units held by his nominee, UOB Kay Hian Private Limited and (iv) 94,000 Units held by UOB Kay Hian Private Limited and 195,750 Units held by DBS Nominees Pte. Ltd., both as the nominees of Dr Tan's spouse Mdm Law Deborah, and (v) 20,000 Units held by Mdm Law Deborah.

Save as disclosed above and based on information available to the Manager, none of the directors has an interest, direct or indirect, in the SHPW Acquisition.

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 are as follows:

1 "Net Property Income" consists of contracted rent under the master lease agreement in relation to the Enlarged Portfolio which comprises Gross Rental Income (where applicable) less property expenses (where applicable).

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total no. of Units held	% ⁽¹⁾
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾		
Bridgewater International Ltd	164,439,019	23.11	–	–	164,439,019	23.11
PT Menara Tirta Indah	43,332,050	6.09	–	–	43,332,050	6.09
PT Primakreasi Propertindo ⁽²⁾	–	–	43,332,050	6.09	43,332,050	6.09
PT Sentra Dwimandiri ⁽³⁾	–	–	164,439,019	23.11	164,439,019	23.11
The Sponsor ⁽⁴⁾	–	–	239,012,434	33.59	239,012,434	33.59

Notes:

- (1) Percentage interest is based on 711,623,400 Units in issue as at the Latest Practicable Date.
- (2) PT Primakreasi Propertindo is deemed to be interested in the Units held by its wholly-owned subsidiary, PT Menara Tirta Indah (please see table above).
- (3) PT Sentra Dwimandiri is deemed to be interested in the Units held by its subsidiary, Bridgewater International Ltd (please see table above).
- (4) The Sponsor is deemed to be interested in (i) the Units held by its indirect wholly-owned subsidiary, Bridgewater International Ltd (please see table above); (ii) the Units held by its indirect wholly-owned subsidiary, PT Menara Tirta Indah (please see table above); and (iii) the 31,241,365 Units held by Bowsprit Capital Corporation Limited.

As at the Latest Practicable Date, the Sponsor, through its indirect wholly-owned subsidiaries Bridgewater International Ltd and PT Menara Tirta Indah and through its 100.0% interest in the Manager, holds an aggregate indirect interest of 33.59% in First REIT and is deemed to be a Controlling Unitholder of First REIT.

3.6 Directors' Service Contracts

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

3.7 Major Transactions – Chapter 10 of the Listing Manual

3.7.1 Chapter 10 of the Listing Manual governs the acquisition or disposal 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.

3.7.2 A proposed acquisition by First REIT may fall into any of the categories set out in subparagraph 3.7.1 above depending on the size of the relative figures computed on the following bases of comparison:

- (i) the net profits attributable to the assets acquired, compared with First REIT's net profits; and
- (ii) the aggregate value of the consideration given, compared with First REIT's market capitalisation.

Where any of the relative figures computed on the bases set out above is 20.0% or more, the transaction is classified as a "major transaction" under Rule 1014 of the Listing Manual which would be subject to the approval of Unitholders, unless (i) such transaction is in the ordinary course of First REIT's business or (ii) in the case of an acquisition of profitable assets, the only limit breached is the profit test set out in paragraph 3.7.2(i) above.

3.7.3 The relative figures for the SHPW Acquisition using the applicable bases of comparison described in sub-paragraphs 3.7.2(i) and 3.7.2(ii) are set out in the table below.

Comparison of:	SHPW	First REIT	Relative Figure
Net Property Income ⁽¹⁾	S\$3.34 million ⁽²⁾	S\$80.21 million ⁽³⁾	4.16%
Purchase Consideration against First REIT's market capitalisation	S\$31.0 million ⁽⁴⁾	First REIT's market capitalisation: S\$761.44 million ^{(5),(6)}	4.07%

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.
- (2) Based on an assumed net rental of approximately S\$3.4 million under the master lease of SHPW, less property expenses.
- (3) Based on the FY2013 Audited Consolidated Financial Statements.
- (4) Does not include transaction costs.
- (5) Based on the closing price of S\$1.07 per Unit on the SGX-ST on the Latest Practicable Date (the "Closing Price").
- (6) Based on Units in issue as at the Latest Practicable Date.

4. THE PROPOSED ISSUANCE OF THE CONSIDERATION UNITS

4.1 Partial payment for the SHPW Acquisition

As described in paragraph 2.10 above, the Manager will make partial payment for the SHPW Acquisition by issuing Consideration Units of the value of S\$4.5 million. Based on an illustrative issue price of S\$1.0686 per Consideration Unit, the total number of the Consideration Units will be equivalent to 4,211,117 Units representing 0.59% of the total number of Units in issue as at the Latest Practicable Date. The final issue price of the Consideration Units will be determined based on the 10-Day Volume Weighted Average Price of the Units immediately preceding the date of completion of the SHPW Acquisition, in accordance with the provisions of the Trust Deed.

4.2 Status of the Consideration Units

The Consideration Units will not be entitled to distributions by First REIT for the period from 1 April 2014 to the date preceding the date of issue of the Consideration Units, and will only be entitled to receive distributions by First REIT from the date of their issue to 30 June 2014 as well as all distributions thereafter. The Consideration Units will, upon issue, rank *pari passu* in all respects with the existing Units in issue.

5. RATIONALE FOR THE SHPW ACQUISITION, THE SHPW MASTER LEASE AND THE ISSUANCE OF THE CONSIDERATION UNITS

The Manager believes that the SHPW Acquisition, the SHPW Master Lease and the issuance of the Consideration Units will bring, among others, the key benefits to Unitholders below.

5.1 Acquisition of an attractive property with major refurbishment works which were substantially completed within the first quarter of 2014 in Purwakarta, West Java, Indonesia, at a price below the independent valuations

The SHPW Acquisition represents an opportunity for First REIT to acquire a hospital which is attractive, good quality and of international standards in a prime location in Indonesia. SHPW is currently undergoing major refurbishment works which were substantially completed in the first quarter of 2014 and is expected to be fully completed in September 2014.

Additionally, SHPW will be acquired at a price below the average of its independent valuations which is at a discount of 17.3% to the higher of the two independent valuations for SHPW.

5.2 Unique opportunity to invest in a growing niche market in Purwakarta, West Java, Indonesia

The Manager is of the view that this is a unique opportunity to acquire a good quality hospital in Purwakarta, West Java, Indonesia which is a growing niche market. According to Frost & Sullivan, Purwakarta has a real Gross Regional Domestic Product compound annual growth rate of 5.8% from 2008 to 2012, where manufacturing, wholesale and retail trade and agriculture are the key contributing industries (see Appendix C for further details). The Manager believes that SHPW is well-positioned for the middle to upper middle-income segment of the healthcare market due to the growing residential and industrial areas in Purwakarta, considering that Jakarta is densely populated and saturated, leading to the gradual shift towards nearby cities like Purwakarta and Bandung.

Furthermore, Purwakarta is strategically located in between Jakarta and Bandung, which means that it is able to attract residents from Indramayu and Subang, who previously had to travel long distances to receive good quality healthcare services. The Purwakarta-Bandung highway also acts as a gateway for the rural population to avail themselves of healthcare services in Purwakarta.

5.3 Increased income stability of First REIT through the SHPW Master Lease Agreement and an increase in First REIT's weighted average lease to expiry

The SHPW Master Lease will be beneficial to First REIT as SHPW is expected to provide stability to First REIT's Gross Rental Income¹ over the next 15 to 30 years (assuming that the option to renew for a further term of 15 years is exercised). The step-up feature of the base and variable rental components under the SHPW Master Lease Agreement would also provide locked-in organic growth in First REIT's cash flow. To ensure stability in First REIT's Gross Rental Income from SHPW, security deposits equivalent to six months of SHPW's annual rental payable (amounting to S\$1.7 million) will be made to First REIT in the form of bankers' guarantees. This security deposit amount will be adjusted at relevant rent review dates.

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

Currently, the master leases of the properties in the Existing Portfolio have tenures of 10 years or 15 years. With the SHPW Acquisition, First REIT will benefit from the increase in the Enlarged Portfolio's² weighted average lease to expiry based on secured Gross Rental Income with SHPW contributing 4.6% of First REIT's total Gross Rental Income under the SHPW Master Lease Agreement. The weighted average lease to expiry of the Enlarged Portfolio will increase from approximately 11.3 years from that of the Existing Portfolio as at 31 December 2013 to approximately 11.5 years after the completion of the SHPW Acquisition.

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

First REIT's asset size will grow from S\$1.05 billion as at 31 December 2013 to S\$1.09 billion after the completion of the SHPW Acquisition. The value of First REIT's Deposited Property³ is expected to increase by 3.5% from S\$1.11 billion as at 31 December 2013 to S\$1.15 billion after the completion of the SHPW Acquisition and there will also be a 3.63% increase in the total GFA from 227,376 sq m before the SHPW Acquisition to 235,630 sq m after the completion of the SHPW Acquisition. The maximum number of hospital beds for the Indonesia properties will increase by 8.76% from 2,318 to 2,521.

1 "Gross Rental Income" means contracted rent under the master lease agreement in relation to the Enlarged Portfolio which comprises base rent and variable rent (where applicable).

2 "Enlarged Portfolio" consists of SHPW and the Existing Portfolio.

3 "Deposited Property" refers to the gross assets of First REIT, including its properties and its Authorised Investments (as defined herein) for the time being held or deemed to be held upon the trusts under the Trust Deed.

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

The SHPW Acquisition is expected to benefit Unitholders by improving diversification of Gross Rental Income due to diversification in geographical location. With an enlarged asset base, the operator of SHPW will also enjoy greater operating synergies in the long term which would indirectly benefit First REIT through higher variable rent and potential value appreciation of First REIT's Indonesian properties.

(APPENDIX A provides further details in relation to SHPW as well as First REIT's Existing Portfolio.)

5.5 The SHPW Acquisition enhances the diversification of First REIT's portfolio across locations and medical specialisations

SHPW is located in West Java, Indonesia in which First REIT already operates and is an extension of First REIT's Existing Portfolio into a new location of Purwakarta.

SHPW is a Centre of Excellence for emergency and trauma, and is registered to treat patients under the Health Ministry's Social Security Management Agency (*Badan Penyelenggara Jaminan Sosial/BPJS*) Program, which further diversifies the medical specialisations of First REIT's Indonesian portfolio.

5.6 The issuance of the Consideration Units would limit the increase in First REIT's aggregate leverage

The aggregate leverage ratio of First REIT is expected to increase from 32.3% as at 31 December 2013 to 33.9% if the SHPW Purchase Consideration is funded wholly by debt.

Assuming S\$4.5 million of the SHPW Purchase Consideration is satisfied by way of issuance of Consideration Units at an illustrative issue price of S\$1.0686 per Unit, with the balance of the SHPW Purchase Consideration to be paid to PT PEA in cash, the aggregate leverage ratio of First REIT is expected to increase at a lower rate of 33.5% compared to 33.9% if the SHPW Purchase Consideration is funded wholly by debt.

6. PRO FORMA FINANCIAL INFORMATION

6.1 Pro Forma Financial Effects of the SHPW Acquisition

The pro forma financial effects of the SHPW Acquisition presented below are strictly for illustrative purposes only and were prepared based on the FY2013 Audited Consolidated Financial Statements, and assuming:

- (a) the SHPW Acquisition Cost, comprising the SHPW Purchase Consideration, SHPW Acquisition Fee, professional and other fees and expenses is S\$31.88 million;
- (b) First REIT will, upon completion of the SHPW Acquisition, revalue SHPW to the fair value of S\$37.5 million, based on the valuation of SHPW by Rengganis, who is appointed by the Manager;

- (c) S\$4.5 million of the SHPW Purchase Consideration will be paid via the issuance of the Consideration Units at an assumed 10-Day Volume Weighted Average Price of S\$1.0686 per Unit;
- (d) the balance of the SHPW Purchase Consideration will be paid to PT PEA via a debt facility with the upfront cost of S\$0.34 million to be amortised over the tenure of the debt facility; and
- (e) an assumed issue price of S\$1.0686 per Unit (similar to the issue price of the Consideration Units) in relation to the SHPW Acquisition Fee.

6.2 Financial Year ended 31 December 2013

Pro Forma DPU

The pro forma financial effects of the SHPW Acquisition on the DPU for FY2013, as if First REIT had purchased SHPW on 1 January 2013, and held and operated SHPW through to 31 December 2013, are as follows:

	FY2013	
	Before the SHPW Acquisition ⁽¹⁾	After the SHPW Acquisition
Distributable Income (S\$'000)	52,086	53,751
Units in issue and to be issued	706,629,453	712,980,931
DPU (cents)	7.52	7.54

Note:

(1) Based on the FY2013 Audited Consolidated Financial Statements.

Pro Forma NAV per Unit

The pro forma financial effects of the SHPW Acquisition on the NAV per Unit as at 31 December 2013, as if First REIT had purchased SHPW on 31 December 2013, are as follows:

	As at 31 December 2013	
	Before the SHPW Acquisition ⁽¹⁾	After the SHPW Acquisition
NAV (S\$'000)	682,899	693,451
Units in issue and to be issued	706,629,453	712,980,931
NAV per Unit (cents)	96.64	97.26

Note:

(1) Based on the FY2013 Audited Consolidated Financial Statements.

Pro Forma capitalisation

The following table sets forth the pro forma capitalisation of First REIT as at 31 December 2013, as if First REIT had purchased SHPW on 31 December 2013.

	As at 31 December 2013	
	Actual	As adjusted for the SHPW Acquisition
	(S\$'000)	(S\$'000)
Short-term debt:		
Unsecured	–	–
Secured	–	–
Total short-term debt	–	–
Long-term debt:		
Unsecured	98,902	98,902
Secured	254,896	281,628
Total long-term debt	353,798	380,530
Total Debt	353,798	380,530
Unitholders funds	682,899	693,451
Total Capitalisation	1,036,697	1,073,981

7. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

In the interest of good corporate governance and transparency, the Manager has appointed Stirling Coleman Capital Limited as the Independent Financial Adviser (the “**IFA**”) to advise the independent Directors of the Manager (being Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Wong Gang) (collectively, the “**Independent Directors**”) and the Trustee as to whether the SHPW Master Lease is (a) on normal commercial terms and (b) prejudicial to the interests of First REIT and its Independent Unitholders.

Having considered the factors and made the assumptions set out in the letter from the IFA to the Independent Directors and the Trustee containing its advice (the “**IFA Letter**”), and subject to the qualifications set out therein, the IFA is of the opinion that the SHPW Master Lease is based on normal commercial terms and not prejudicial to the interests of First REIT and its Independent Unitholders. Accordingly, the IFA is of the view that the Independent Directors should recommend that Independent Unitholders vote in favour of the SHPW Master Lease.

A copy of the IFA Letter, containing its advice in full, is set out in **APPENDIX D** of this Circular.

8. RECOMMENDATIONS

8.1 On the SHPW Acquisition and SHPW Master Lease

The Independent Directors and the Audit Committee have considered the relevant factors, including:

- (i) the opinion of the IFA that the SHPW Master Lease is based on normal commercial terms and not prejudicial to the interests of First REIT and its Independent Unitholders and that it is accordingly of the view that the Independent Directors should recommend that Independent Unitholders vote in favour of the SHPW Master Lease (the IFA’s opinion on the SHPW Master Lease are set out in the IFA Letter in **APPENDIX D** of this Circular); and
- (ii) the rationale for the SHPW Acquisition, the SHPW Master Lease and the issuance of the Consideration Units as set out in paragraph 5 above,

and believe that the SHPW Master Lease (including the terms of the SHPW Master Lease as a whole, such as the base rent and variable rent) are based on normal commercial terms and would not be prejudicial to the interests of First REIT or its Unitholders.

Accordingly, the Independent Directors recommends that Unitholders vote at the EGM in favour of Resolution 1 (in relation to the SHPW Acquisition and the SHPW Master Lease).

8.2 On the proposed issuance of the Consideration Units

Having regard to the rationale for the issuance of the Consideration Units as set out in paragraph 5.6 above, the Manager believes that the issuance of the Consideration Units would be beneficial to, and is in the interests of, First REIT and its Unitholders.

Accordingly, the Directors recommend that Unitholders vote at the EGM in favour of Resolution 2 (in relation to the proposed issuance of the Consideration Units).

9. EXTRAORDINARY GENERAL MEETING

The EGM will be held at **Mandarin Ballroom III, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867** on **Wednesday, 30 April 2014, at 3:00 p.m.** (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of First REIT to be held at 2:30 p.m. on the same day and at the same place), for the purpose of considering and, if thought fit, passing with or without modification, the resolutions set out in the Notice of Extraordinary General Meeting, which is set out on pages G-1 to G-2 of this Circular. The purpose of this Circular is to provide Unitholders with relevant information about the resolutions. Approval by way of Ordinary Resolution is required in respect of Resolution 1 (in relation to the SHPW Acquisition and the SHPW Master Lease) and Resolution 2 (in relation to the proposed issuance of the Consideration Units).

A Depositor shall not be regarded as a Unitholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Units entered against his name in the Depository Register, as certified by The Central Depository (Pte) Limited (“**CDP**”) as at 48 hours before the time fixed for the EGM.

10. ABSTENTIONS FROM VOTING

10.1 Relationship between the Sponsor, the Manager and First REIT

As at the Latest Practicable Date, the Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 33.59% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a “Controlling Unitholder” of First REIT as well as a “Controlling Shareholder” of the Manager respectively.

10.2 Abstention from Voting

Rule 919 of the Listing Manual prohibits interested persons and their associates (as defined in the Listing Manual) from voting on a resolution in relation to a matter in respect of which such persons are interested. The relevant associates of the Sponsor (other than the Manager) are Bridgewater International Ltd and PT Menara Tirta Indah.

(i) Resolution 1: The SHPW Acquisition and the SHPW Master Lease

For good corporate governance and transparency, although the SHPW Acquisition and the SHPW Master Lease do not constitute Interested Person Transactions under Chapter 9 of the Listing Manual or Interested Party Transactions under paragraph 5 of the Property Funds Appendix, the Sponsor and the Manager (i) will abstain, and will procure that their associates will abstain, from voting at the EGM on Resolution 1 (the SHPW Acquisition and the SHPW Master Lease); and (ii) will procure that their associates will not, accept appointments as proxies in relation to the resolution on the SHPW Acquisition and the SHPW Master Lease unless specific instructions as to voting are given.

(ii) Resolution 2: The Proposed Issuance of the Consideration Units

Given that PT PEA is not an Interested Person under Chapter 9 of the Listing Manual or an Interested Party under paragraph 5 of the Property Funds Appendix of the Sponsor, the Manager or the Trustee, the Manager and the Sponsor are not required to abstain from voting on Resolution 2.

11. ACTION TO BE TAKEN BY UNITHOLDERS

Unitholders will find enclosed in this Circular the Notice of Extraordinary General Meeting and a Proxy Form.

If a Unitholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Manager at 50 Collyer Quay, #06-01 OUE Bayfront, Singapore 049321, not later than Monday, 28 April 2014 at 3:00 p.m., being 48 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Unitholder will not prevent him from attending and voting in person at the EGM if he so wishes.

Persons who have an interest in the approval of any of the resolutions must decline to accept appointments as proxies unless the Unitholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the SHPW Acquisition, the SHPW Master Lease and the proposed issuance of the Consideration Units, First REIT and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context.

13. CONSENTS

Each of the IFA, the Independent Valuers, the Independent Healthcare Research Consultant and the Independent Indonesia Tax Adviser has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and respectively the IFA Letter, the Valuation Summary Reports, the Full Valuation Reports, the Indonesian Healthcare Market Review Report and the Independent Indonesian Taxation Report, and all references thereto, in the form and context in which they are included in this Circular.

14. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection during normal business hours at the registered office of the Manager at 50 Collyer Quay, #06-01 OUE Bayfront, Singapore 049321 from the date of this Circular up to and including the date falling three months after the date of this Circular¹:

- (i) the SHPW SPA (which contains the forms of the Master Lease Agreement, the Deed of Indemnity and the New SHPW SPA);
- (ii) the full valuation report on SHPW issued by W&R;
- (iii) the full valuation report on SHPW issued by Rengganis;
- (iv) the Indonesia Healthcare Market Review Report by Frost & Sullivan (S) Pte Ltd;
- (v) the FY2013 Audited Consolidated Financial Statements;
- (vi) the Independent Indonesian Taxation Report by PT Taxand; and
- (vii) the IFA Letter from the IFA.

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

Yours faithfully
BOWSPRIT CAPITAL CORPORATION LIMITED
(as manager of First Real Estate Investment Trust)
(Company registration number: 200607070D)

Dr Ronnie Tan Keh Poo
Chief Executive Officer and Director

¹ Prior appointment with the Manager (telephone: +65 6435 0168) will be appreciated.

IMPORTANT NOTICE

The value of Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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

This Circular 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. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

If you have sold or transferred all your Units, you should immediately forward this Circular, together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular is not for distribution, directly or indirectly, in or into the United States. It is not an offer of securities for sale into the United States. The Units may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended) unless they are registered or exempt from registration. There will be no public offer of securities in the United States.

GLOSSARY

In this Circular, the following definitions apply throughout unless otherwise stated:

- %** : Per centum or percentage
- 10-Day Volume Weighted Average Price** : The volume weighted average traded price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days immediately preceding the relevant Business Day
- A&E** : Accident and emergency
- Audit Committee** : The audit committee of the Manager, comprising Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Wong Gang
- Authorised Investments** : Refers to, in general:
- (a) real estate, whether freehold or leasehold, in or outside Indonesia, held singly or jointly, and/or by way of direct ownership or by a shareholding in a special purpose vehicle;
 - (b) any improvement or extension of or addition to, or reconstruction, refurbishment, retrofitting, renovation or other development of any real estate or any building thereon;
 - (c) real estate related assets, wherever the issuers, assets or securities are incorporated, located, issued or traded;
 - (d) listed or unlisted debt securities and listed shares or stock and (if permitted by the MAS) unlisted shares or stock of or issued by local or foreign non-property companies or corporations;
 - (e) government securities (issued on behalf of the Singapore Government or governments of other countries) and securities issued by a supra-national agency or a Singapore statutory board;
 - (f) cash and cash equivalent items;
 - (g) financial derivatives only for the purposes of (a) hedging existing positions in First REIT's portfolio where there is a strong correlation to the underlying investments or (b) efficient portfolio management, provided that such derivatives are not used to gear the overall portfolio of First REIT or intended to be borrowings of the First REIT; and
 - (h) any other investment not covered by paragraphs (a) to (g) of this definition but specified as a permissible investment in the Property Funds Appendix and selected by the Manager for investment by First REIT and approved by the Trustee in writing
- Business Day** : Means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are generally open for business in Singapore and the SGX-ST (and, if the Units are listed on any other recognised stock exchange, that recognised stock exchange) is open for trading

CCR	:	Indonesia Core Central Region
CDP	:	The Central Depository (Pte) Limited
Centre of Excellence	:	A term used to describe a particular area of medical specialisation, proficiency and excellence, with the relevant specialist doctors, nursing staff and state-of-the-art medical equipment and facilities, at a hospital
Circular	:	This circular to Unitholders dated 11 April 2014
Closing Price	:	The closing price of S\$1.07 per Unit on the SGX-ST on the Latest Practicable Date
Consideration Units	:	New Units to be received by PT PEA as satisfaction of S\$4.5 million of the SHPW Purchase Consideration
Controlling Shareholder	:	Means a person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15.0% or more of the total number of issued shares excluding treasury shares in the company; or (b) in fact exercises control over a company
Controlling Unitholder	:	Means a person who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting units in the property fund. The MAS may determine that such a person is not a controlling unitholder; or (b) in fact exercises control over the property fund
Decree	:	MOF Indonesia decree (No. 125/PMK.01/2008) on public appraisal services
Deed of Indemnity	:	The deed of indemnity to be entered into between the Trustee and PT MPU
Deed of Land SPA	:	The deed of sale and purchase of a certain portion of the Original SHGB Title Certificates (covering a total area of 7,990 sq m) between the Indonesian Company and PT PEA
Deposited Property	:	The gross assets of First REIT, including its properties and its Authorised Investments for the time being held or deemed to be held upon the trusts under the Trust Deed
Directors	:	Directors of the Manager
DPU	:	Distribution per Unit
EGM	:	The extraordinary general meeting of Unitholders to be held at Mandarin Ballroom III, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Wednesday, 30 April 2014, at 3:00 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of First REIT to be held at 2:30 p.m. on the same day and at the same place), to approve the matters set out in the Notice of Extraordinary General Meeting on pages G-1 to G-2 of this Circular

Enlarged Portfolio	:	Comprises SHPW and the Existing Portfolio
Existing Portfolio	:	The portfolio of properties currently held by First REIT, consisting of: its properties in Indonesia, Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar, Mochtar Riady Comprehensive Cancer Centre, SHLC, Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Imperial Aryaduta Hotel & Country Club; its properties in Singapore, Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang, The Lentor Residence; and its property in the Republic of South Korea, Sarang Hospital
FCR	:	Indonesia Fringe Central Region
Finura Investments	:	Finura Investments Pte. Ltd., a wholly-owned subsidiary of First REIT and a company incorporated in Singapore
First REIT	:	First Real Estate Investment Trust, a unit trust constituted in the Republic of Singapore pursuant to the Trust Deed
fiscal year	:	The period commencing 1 January and ending on 31 December of the same year
FY2013 Audited Consolidated Financial Statements	:	The audited financial statements of First REIT and its subsidiaries for FY2013
FY2013	:	First REIT's financial year ended 31 December 2013
FY2015	:	First REIT's financial year ending 31 December 2015
FY2016	:	First REIT's financial year ending 31 December 2016
GFA	:	Gross floor area
Glamis Investments	:	Glamis Investments Pte. Ltd., a wholly-owned subsidiary of Finura Investments and a company incorporated in Singapore
Gross Rental Income	:	Contracted rent under the master lease agreement in relation to the Enlarged Portfolio which comprises base rent and variable rent (where applicable)
Gross Revenue	:	Consists of Gross Rental Income and (where applicable) other income earned from First REIT's properties
HGB	:	Hak Guna Bangunan (Right to Build)
IFA	:	The Independent Financial Adviser to the Independent Directors and to the Trustee, being Stirling Coleman Capital Limited
IFA Letter	:	The letter from the IFA to the Independent Directors and the Trustee containing its advice as set out in Appendix D of this Circular
Independent Directors	:	The independent directors of the Manager, being Mr Albert Saychuan Cheok, Mr Goh Tiam Lock and Mr Wong Gang
Independent Healthcare Research Consultant	:	Frost & Sullivan (S) Pte Ltd

Independent Indonesia Tax Adviser	:	PB Taxand
Independent Singapore Tax Adviser	:	Ernst & Young Solutions LLP
Independent Unitholders	:	Unitholders other than the Sponsor, parties acting in concert with the Sponsor and parties which are not independent of the Sponsor
Independent Valuers	:	Refers to, collectively, W&R and Rengganis, which were commissioned by the Trustee and the Manager respectively to value SHPW
Indonesia CPI	:	Consumer Price Index of Indonesia
Indonesian Company	:	An Indonesian limited liability company which is wholly-owned by Finura Investments and Glamis Investments
Interested Party	:	As defined in the Property Funds Appendix, means: <ul style="list-style-type: none"> (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of the property fund; 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 the property fund
Interested Party Transaction	:	Has the meaning ascribed to it in paragraph 5 of the Property Funds Appendix
Interested Person	:	As stated in the Listing Manual, in the case of a real estate investment trust (“ REIT ”), has the meaning defined in the Code on Collective Investment Schemes issued by the MAS. Therefore, interested person means: <ul style="list-style-type: none"> (a) a director, chief executive officer or Controlling Shareholder of the manager, or the manager, the trustee, or controlling unitholder of the property fund; 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 the property fund
Interested Person Transaction	:	Means a transaction between an entity at risk and an Interested Person
KJPP	:	Kantor Jasa Penilai Publik (Accredited Public Appraiser Firms)
Latest Practicable Date	:	26 March 2014, being the latest practicable date prior to the printing of this Circular
Law No. 7/2011	:	Law No. 7 of 2011 on Currency (Undang-Undang Mata Uang)
Listing Manual	:	The Listing Manual of the SGX-ST
Manager	:	Bowsprit Capital Corporation Limited, in its capacity as manager of First REIT

MAPPI	:	The Indonesian Society of Appraisers (Masyarakat Profesi Penilai Indonesia)
Market Day	:	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore and the SGX-ST is open for trading
MAS	:	Monetary Authority of Singapore
MOF Indonesia	:	Ministry of Finance of the Republic of Indonesia
MOF Interpretation	:	Document issued on 6 December 2011 to the public on the interpretation of Law No. 7/2011, the Currency Law, by MOF Indonesia, through the Directorate General of Treasury of the Republic of Indonesia
National Land Office	:	The National Land Office of Republic of Indonesia (Badan Pertanahan Nasional)
NAV	:	Net asset value
Net Property Income	:	Consists of contracted rent under the master lease agreement in relation to the Enlarged Portfolio which comprises Gross Rental Income (where applicable) less property expenses (where applicable)
New SHPW HGB Title Certificates	:	SHGB No. 01666/Cibening, SHGB No. 01667/Cibening, SHGB No. 01668/Cibening, SHGB No. 01670/Cibening and the new SHGB title certificate No. 02189/Cibening due to the segregation of SHGB No. 01669 which was issued on 19 March 2014 (expiring on 14 November 2043) and No. 01050/Cibening (expiring on 27 November 2043) issued in respect of SHPW by the relevant National Land Agency covering an area of 7,990 sq m, which originated from the Original HGB Title Certificates in relation to SHPW (SHGB No. 01666/Cibening, SHGB No. 01667/Cibening, SHGB No. 01668/Cibening, SHGB No. 01669/Cibening, SHGB No. 01670/Cibening (expiring on 14 November 2043) and No. 01050/Cibening (expiring on 27 November 2043))
New SHPW SPA	:	The conditional sale and purchase agreement to be entered into between a nominee Indonesian company appointed by Finura Investments and PT PEA, on the same terms as the SHPW SPA
NTA	:	Net tangible assets
OCR	:	Indonesia Outside Central Region
OJK	:	Indonesian Capital Market and Financial Services Authority
Ordinary Resolution	:	A resolution proposed and passed as such by a majority being more than 50.0% of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed
Original HGB Title Certificates	:	The original SHGB No. 01666/Cibening, SHGB No. 01667/Cibening, SHGB No. 01668/Cibening, SHGB No. 01669/Cibening, SHGB No. 01670/Cibening (collectively expiring on 14 November 2043) and SHGB No. 01050/Cibening (expiring on 27 November 2043)

Property Funds Appendix	:	Appendix 6 of the Code on Collective Investment Schemes issued by the MAS
Proxy Form	:	Instrument appointing a proxy or proxies
PT MPU	:	PT Metropolis Propertindo Utama, a limited liability company incorporated in Indonesia, one of the largest property developers in Indonesia by total assets, with total assets of approximately Rp. 20,613 billion as at 30 June 2013
PT PEA	:	PT Purimas Elok Asri, a limited liability company incorporated in Indonesia and an indirect wholly-owned subsidiary of PT MPU
PT SIH	:	PT Siloam International Hospitals Tbk, a limited liability company incorporated in Indonesia and an indirect subsidiary of the Sponsor
REIT	:	Real estate investment trust
Rp.	:	Indonesian Rupiah
Rengganis	:	KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd.
S\$ and cents	:	Singapore dollars and cents
Securities Account	:	Unitholders' securities accounts with CDP
Securities Act	:	U.S. Securities Act 1933, as amended
SGX-ST	:	Singapore Exchange Securities Trading Limited
SHLC	:	Siloam Hospitals Lippo Cikarang
SHPW	:	The property, located at Jalan Bungursari No. 1, Purwakarta, West Java, Indonesia
SHPW Acquisition	:	The proposed acquisition of SHPW from PT PEA
SHPW Acquisition Cost	:	The total cost of the SHPW Acquisition, comprising the SHPW Purchase Consideration, the SHPW Acquisition Fee, as well as the estimated professional and other fees and expenses incurred or to be incurred in connection with the SHPW Acquisition, which is approximately S\$31.88 million
SHPW Acquisition Fee	:	The acquisition fee which the Manager will be entitled under Clause 14.2.1 of the Trust Deed to receive from First REIT upon completion of the SHPW Acquisition
SHPW Base Rent	:	The annual base rent payable under the SHPW Master Lease
SHPW Gross Operating Revenue	:	Means, with respect to a fiscal year, the gross operating revenue of the tenant derived specifically from the tenant's healthcare and/or healthcare-related business carried on at the property, as audited for such fiscal year. In the event the property is sub-let by the tenant to a sub-tenant, the gross operating revenue shall mean with respect to a fiscal year, the gross operating revenue of the sub-tenant derived specifically from the sub-tenant's healthcare and/or healthcare-related business carried on at the property, as audited for such fiscal year

SHPW Master Lease	:	The master lease granted to PT MPU in relation to SHPW
SHPW Master Lease Agreement	:	The master lease agreement to be entered into between the Indonesian Company (as the master lessor of SHPW) and PT MPU (as the master lessee of SHPW) pursuant to which the SHPW Master Lease was granted to PT MPU
SHPW Purchase Consideration	:	S\$31.0 million, including the Tax on Acquisition of Rights in Land and Buildings (Biaya Perolehan Hak Atas Tanah dan Bangunan), being the purchase consideration for SHPW in relation to the SHPW Acquisition
SHPW SPA	:	The conditional sale and purchase agreement that was entered into by Finura Investments with PT PEA pursuant to which Finura Investments proposes to acquire SHPW at the SHPW Purchase Consideration
SHPW Total Rent	:	The sum of the SHPW Base Rent and variable rent in relation to SHPW
Singapore CPI	:	Consumer Price Index of Singapore
Sponsor	:	PT Lippo Karawaci Tbk
sq ft	:	Square foot
sq m	:	Square metres
Substantial Unitholders	:	Persons with an interest in Units constituting not less than 5.0% of the total number of Units in issue, and “ Substantial Unitholder ” means any one of them
Termination Agreement	:	The termination agreement to be entered into between Finura Investments and PT PEA, upon the execution of the New SHPW SPA, to terminate the SHPW SPA
Trust Deed	:	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
Trustee	:	HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of First REIT
Unit	:	A unit representing an undivided interest in First REIT
Unitholder	:	The registered holder for the time being of a Unit, including person(s) so registered as joint holders, except where the registered holder is CDP, the term “ Unitholder ” shall, in relation to Units registered in the name of CDP, mean, where the context requires, the Depositor whose Securities Account with CDP is credited with Units
United States or U.S.	:	United States of America
WAAP	:	Weighted average age of properties
WALE	:	Weighted average lease to expiry
W&R	:	KJPP Willson & Rekan in association with Knight Frank

The terms “**Depositor**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act, Chapter 50 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

The exchange rates used in this Circular are for reference only. No representation is made that any Indonesian Rupiah amounts could have been or could be converted into Singapore dollar amounts at any of the exchange rates used in this Circular, at any other rate or at all.

Any discrepancies in the tables, graphs and charts between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

DETAILS OF SHPW AND THE EXISTING PORTFOLIO AND THE ENLARGED PORTFOLIO

1. DESCRIPTION OF SHPW

SHPW comprises a three-storey hospital building and a five-storey hospital building adjoining each other. It has an operational capacity of 100 beds, with a maximum capacity of 203 beds. The three-storey and five-storey hospital buildings were completed in 2005 and 2008 respectively. SHPW is currently undergoing major refurbishment works which were substantially completed in the first quarter of 2014 and is expected to be fully completed in September 2014. Prior to the completion of the SHPW Acquisition, SHPW will commence operations under the “Siloam Hospitals” brand and upon SHPW commencing operations under the “Siloam Hospitals” brand, PT SIH, or its subsidiary, will be the sub-lessee of SHPW. SHPW has a total GFA of about 8,254 sq m and is located at Jalan Bungursari No. 1, Purwakarta, West Java, Indonesia. It is equipped with state-of-the-art medical equipment and has 250 vehicle parking spaces. SHPW is a Centre of Excellence for emergency and trauma, and is registered to treat patients under the Health Ministry’s Social Security Management Agency (*Badan Penyelenggara Jaminan Sosial/BPJS*) Program.

The table below sets out a summary of selected information on SHPW as at 31 December 2013 (unless otherwise indicated).

Address / Location	Jalan Bungursari No. 1, Sub-district Cibening, District Campaka, Purwakarta, West Java, Indonesia
Master title details	<p>The SHGB title certificates below are expiring on 14 November 2043:</p> <ul style="list-style-type: none"> - SHGB No. 01666/Cibening; - SHGB No. 01667/Cibening; - SHGB No. 01668/Cibening; - SHGB No. 02189/Cibening; and - SHGB No. 01670/Cibening. <p>The remaining SHGB title, SHGB No. 01050/Cibening, is expiring on 27 November 2043.</p>
Description / Existing Use	<p>SHPW comprises a three-storey hospital building and a five-storey hospital building adjoining each other. It has an operational capacity of 100 beds, with a maximum capacity of 203 beds. The three-storey and five-storey hospital buildings were completed in 2005 and 2008 respectively. SHPW is currently undergoing major refurbishment works which were substantially completed in the first quarter of 2014 and is expected to be fully completed in September 2014. Prior to the completion of the SHPW Acquisition, SHPW will commence operations under the “Siloam Hospitals” brand and upon SHPW commencing operations under the “Siloam Hospitals” brand, PT SIH, or its subsidiary, will be the sub-lessee of SHPW. It is equipped with state-of-the-art medical equipment and has 250 vehicle parking spaces.</p>
Hospital beds (Capacity)	203
Vehicle Parking Spaces	250

Lease Term	15 years, with an option to renew for a further term of 15 years.
Year of building completion	Completed in 2005 (for the three-storey building) and 2008 (for the five-storey building)
Initial base rent per annum	S\$3,400,000
GFA	8,254 sq m
Valuation by W&R as at 27 February 2014	S\$37,470,000
Valuation by Rengganis as at 21 February 2014	S\$37,500,000

2. THE EXISTING PORTFOLIO

The Existing Portfolio of First REIT as at 31 December 2013 comprises: Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar, Mochtar Riady Comprehensive Cancer Centre, SHLC, Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Imperial Aryaduta Hotel & Country Club, located in Indonesia; Pacific Healthcare Nursing Home @ Bukit Merah, Pacific Healthcare Nursing Home II @ Bukit Panjang, The Lentor Residence, which are located in Singapore; and Sarang Hospital, which is located in the Republic of South Korea.

2.1 Summary

The table below sets out selected information about the Existing Portfolio (as at 31 December 2013).

Description of the Properties	GFA (sq m)	Lease Terms	Maximum no. of Beds / Saleable Rooms (as at 31 December 2013)	Appraised Value ⁽¹⁾	Gross Revenue ⁽²⁾ (from 1 January 2013 to 31 December 2013) (S\$'000)
Indonesia					
Siloam Hospitals Bali	20,958	15 years with option to renew for 15 years with effect from 13 May 2013	295	S\$117.1 million	6,180
Siloam Hospitals TB Simatupang	18,605	15 years with option to renew for 15 years with effect from 22 May 2013	271	S\$112.1 million	5,683
Siloam Hospitals Manado & Hotel Aryaduta Manado	36,051	15 years with option to renew for 15 years with effect from 30 November 2012	Siloam Hospitals Manado: 224 Hotel Aryaduta Manado: 200	S\$100.2 million	8,399

Description of the Properties	GFA (sq m)	Lease Terms	Maximum no. of Beds / Saleable Rooms (as at 31 December 2013)	Appraised Value⁽¹⁾	Gross Revenue⁽²⁾ (from 1 January 2013 to 31 December 2013) (\$'000)
Siloam Hospitals Makassar	14,307	15 years with option to renew for 15 years with effect from 30 November 2012	416	S\$70.5 million	5,751
Mochtar Riady Comprehensive Cancer Centre	37,933	15 years with option to renew for 15 years with effect from 30 December 2010	375	S\$240.1 million	19,496
SHLC	11,125	15 years with option to renew for 15 years with effect from 31 December 2010	126	S\$45.4 million	4,088
Siloam Hospitals Lippo Village	27,284	15 years with option to renew for 15 years with effect from 11 December 2006	250	S\$158.2 million	13,663
Siloam Hospitals Kebon Jeruk	18,316	15 years with option to renew for 15 years with effect from 11 December 2006	201	S\$90.3 million	7,743
Siloam Hospitals Surabaya	9,227	15 years with option to renew for 15 years with effect from 11 December 2006	160	S\$32.6 million	3,062
Imperial Aryaduta Hotel & Country Club	17,427	15 years with option to renew for 15 years with effect from 11 December 2006	197	S\$38.7 million	3,756
Singapore					
Pacific Healthcare Nursing Home @ Bukit Merah	3,593	10 years with option to renew for 10 years exercised with effect from 11 April 2007	259	S\$10.7 million	1,031
Pacific Healthcare Nursing Home II @ Bukit Panjang	3,563	10 years with option to renew for 10 years exercised with effect from 11 April 2007	265	S\$10.8 million	1,005

Description of the Properties	GFA (sq m)	Lease Terms	Maximum no. of Beds / Saleable Rooms (as at 31 December 2013)	Appraised Value ⁽¹⁾	Gross Revenue ⁽²⁾ (from 1 January 2013 to 31 December 2013) (\$'000)
The Lentor Residence	4,005	10 years with option to renew for 10 years with effect from 8 June 2007	208	S\$17.6 million	1,422
Republic of South Korea					
Sarang Hospital	4,982	10 years with option to renew for 10 years with effect from 5 August 2011	217	US\$6.3 million	2,001

Notes:

- (1) For the properties located in Indonesia, Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Imperial Aryaduta Hotel & Country Club and SHLC were appraised by KJPP Rengganis, Hamid & Rekan in strategic alliance with CBRE Pte. Ltd. as at 7 November 2013, while the other five Indonesia properties were each appraised by KJPP Willson & Rekan in association with Knight Frank as at 7 November 2013. The properties located in Singapore and the property located in the Republic of South Korea were appraised by CBRE Pte. Ltd. as at 7 November 2013.
- (2) "Gross Revenue" consists of Gross Rental Income and (where applicable) other income earned from First REIT's properties.

2.2 Description of the Properties in the Existing Portfolio

2.2.1 Siloam Hospitals Bali

Siloam Hospitals Bali, located at Jalan Sunset Road No. 818, Kuta, Badung, Bali 80361, Indonesia, commenced operations on 17 December 2012. Siloam Hospitals Bali has an operational capacity of 295 beds, with integrated shops for related use. Siloam Hospitals Bali is located on Jalan Sunset Road which connects to the Kuta Area and Denpasar City, one of the fastest growing areas in Bali. Notable developments in the vicinity of Siloam Hospitals Bali include Carrefour, Bali Galeria Shopping Mall and Ngurah Rai International Airport. Siloam Hospitals Bali is a Centre of Excellence for trauma, medical tourism, intensive care unit, orthopaedic and cardiology.

2.2.2 Siloam Hospitals TB Simatupang

Siloam Hospitals TB Simatupang, a 16-storey hospital with two basement levels, commenced operations on 15 April 2013. Siloam Hospitals TB Simatupang has an operational capacity of 271 beds. Siloam Hospitals TB Simatupang, located close to the Fatmawati toll gate on Jakarta Outer Ring Road which connects the inner-city toll road with Bintaro and Serpong areas and which is near to the middle to upper class residential area of Pondok Indah and Cinere, is highly accessible via public and private transportation. Notable developments in the vicinity of Siloam Hospitals TB Simatupang include Metropolitan Tower Office Building, Poins Square and the upcoming South Quarter (a mixed-use development comprising integrated office towers, apartment and retail facilities). Siloam Hospitals TB Simatupang is a Centre of Excellence for trauma, cardiology, oncology and neuroscience.

2.2.3 Siloam Hospitals Manado & Hotel Aryaduta Manado

Siloam Hospitals Manado & Hotel Aryaduta Manado, located at Jalan Sam Ratulangi No. 22, Komplek Boulevard Center and at Jalan Piere Tendean No. 1, Wenang Utara Sub District, Wenang District, Manado – North Sulawesi 95111, Republic of Indonesia, is an 11-storey mixed use development with a basement level, comprising Siloam Hospitals Manado & Hotel Aryaduta Manado which are located on common land titles and share a common lobby (with separate entrances). Siloam Hospitals Manado is a four-level hospital which commenced operations on 1 June 2012 with a maximum operational capacity of 224 beds. Hotel Aryaduta Manado is a nine-level five-star hotel with 200 guest rooms, which commenced operations on 1 January 2011.

Siloam Hospitals Manado & Hotel Aryaduta Manado are situated on the west side of Jalan Sam Ratulangi and on the east side of Jalan Piere Tendean respectively, both of which are primary roads in the city centre that are lined with office buildings, shopping centres, shop houses and hotels. Notable developments in the vicinity of Siloam Hospitals Manado & Hotel Aryaduta Manado include IT Center, Mega Mall Manado and Komandan Korem (Danrem) 131/Santiago (a military office). It covers a total GFA of 36,051 sq m, of which 11,476 sq m is occupied by Siloam Hospitals Manado and 23,430 sq m is occupied by Hotel Aryaduta Manado and 1,145 sq m of shared machinery and equipment space.

Siloam Hospitals Manado is fully equipped with the latest medical equipment and facilities, including CT, MRI, Ultrasound, cardiac catheterisation lab, 50 specialist clinic suites and three operating theatres.

Siloam Hospitals Manado is a tourist-friendly hospital that caters to multiple classes of patients, comprising local residents from all socio-economic classes, corporate patients, and tourists. In order to enhance Siloam Hospitals Manado's image as a modern international hospital, Hotel Aryaduta Manado provides a full range of food and beverages catering to the patients and accommodation for family members as well as to tourists visiting Manado.

Other than Siloam Hospitals Manado's Centre of Excellence in trauma, the hospital will also serve to provide a comprehensive range of inpatient and outpatient services. Apart from therapeutic services, the hospital will also include an extensive range of diagnostic and preventive healthcare services.

Emergency and medical evacuation to and from the hospitals are available via designated ambulances. The state-of-the-art Accident and Emergency ("A&E") department hosts a two-bedded resuscitation unit and three procedural units for patients requiring minor surgical or anaesthetic procedures. Through the telemedicine system and helicopter ambulance services, Siloam Hospitals Manado is also planning to provide remote patient care or consultation for the workers at several mining sites in North Sulawesi.

Through the implementation of clinical capabilities that are currently scarcely available in the region, such as 24-hour GP clinics, ambulance call centre, clinical pathways for acute coronary syndrome and stroke patient management, fully rapid response land and air ambulances, Siloam Hospitals Manado is likely to be the regional Centre of Excellence in trauma and many clinical services.

Hotel Aryaduta Manado is a four-star hotel with 200 guest rooms. The Indonesian Association of Hotel and Restaurant (*Perhimpunan Hotel dan Restoran Indonesia*) has declared Hotel Aryaduta Manado as a five-star rated hotel and such decree shall be valid until June 2015.

Hotel Aryaduta Manado is integrated with Siloam Hospitals Manado and is well positioned to benefit from shared services and healthcare tourism, given its location. It provides convenient accommodation for out-of-town inpatients, outpatients and day-surgery patients, as well as their families. The acquisition will allow First REIT to benefit not only from the healthcare sector, but also the growing medical tourism sector.

2.2.4 Siloam Hospitals Makassar

Siloam Hospitals Makassar is located at Jalan Metro Tanjung Bunga Kav 3 – 5, Panambunan Sub District, Mariso District, Makassar City, South Sulawesi Province, Republic of Indonesia. Siloam Hospitals Makassar, a new seven-storey hospital commenced operations on 9 September 2012 with a maximum operational capacity of 416 beds. Siloam Hospitals Makassar is located on the west side of Jalan Metro Tanjung Bunga in Tanjung Bunga, an integrated township development consisting of residential and commercial development. Notable developments in the vicinity of Siloam Hospitals Makassar include Hotel Aryaduta Makassar, Tanjung Bunga Marketing Office, Celebas Convention Center, Trans Makassar Mall and Losari Beach.

Siloam Hospitals Makassar will have state-of-the-art equipment, including CT, MRI, Ultrasound, Mammography and cardiac catheterization system, 58 specialist outpatient clinic suites and three operating theatres.

With Centres of Excellence in trauma and cardiology, emergency and medical evacuation to and from the hospital is available via designated ambulances. The A&E department hosts a three-bedded resuscitation unit and an observation ward equipped with 10 beds to serve any trauma and emergency patients in Makassar.

This A&E department is likely to provide additional support to the acute care needs of the local population residing in the urban or rural areas through its emergency care facilities backed by helicopter evacuation, well equipped Emergency Trauma Department with resuscitation units, and fully equipped ambulances. These capabilities are the first-of-its-kind in the South Sulawesi.

2.2.5 Mochtar Riady Comprehensive Cancer Centre

Mochtar Riady Comprehensive Cancer Centre is Indonesia's first private comprehensive cancer treatment centre with state-of-the-art equipment.

Located near Plaza Semanggi, The Aryaduta Apartments and other international five-star hotels in Central Jakarta, the 29-storey, 375-bed Mochtar Riady Comprehensive Cancer Centre will serve the needs of international and Indonesian patients.

Mochtar Riady Comprehensive Cancer Centre will not only adopt a preventative focus through health screening, but will also be the first facility in Indonesia to offer break-through technologies that are at the forefront of cancer treatment and cancer diagnostics globally. Among the other firsts for Mochtar Riady Comprehensive Cancer Centre are a palliative care & oncology wellness centre, high dose brachytherapy, radio-immunotherapy (RIT), radiopeptide therapy, molecular imaging with PET/Computed Tomography (PET/CT), and Single Photon Emission Computed Tomography/CT (SPECT/CT) scanning.

It will also provide chemotherapy, complementary therapy, Linear Accelerator treatment, Multi Slice CT, High field strength MRI, angiography, inhouse clinical trials and integrated IT and PACS/RIS. Mochtar Riady Comprehensive Cancer Centre also hopes to develop training in medical oncology, radiation therapy, cancer imaging and surgical oncology.

2.2.6 Siloam Hospitals Lippo Cikarang

SHLC was opened in 2002 and has quickly built its reputation for providing international standards in medical care in the growing residential area east of Jakarta. SHLC has 126 beds and is supported by 78 specialist doctors and 239 qualified nurses offering a broad range of general and specialist services, including an A&E Department. SHLC has Centres of Excellence in Urology, Internal Medicine and Trauma.

In late 2007, an extracorporeal shock wave lithotripsy (ESWL) unit was commissioned to treat patients with kidney stones. SHLC is also well respected for its Pediatric Neonatal Intensive Care Unit, which treats premature babies and sick babies. The Jakarta-Cikampek toll road and Cikarang industrial areas have made SHLC an ideal hospital in providing Trauma services. SHLC is supported by a 24-hours A&E department and ambulance services with medical evacuation facilities, which includes daytime helicopter evacuation. SHLC also provides general surgery, orthopedic surgery, neurology surgery, plastic surgery, urology surgery, thorax and cardiovascular surgery.

Specialist doctors were appointed in 2005 to perform digestive surgery using Laparoscopy, a technique that minimizes surgical trauma and accelerates recovery. SHLC caters to both inpatient and outpatient needs, and its Charter of Patients' Rights is actively promoted by its experienced team of medical professionals, whose training and expertise bring international standards in patient care.

2.2.7 Siloam Hospitals Lippo Village

With Centres of Excellence for neuroscience and cardiology, Siloam Hospitals Lippo Village offers a comprehensive range of cardiology services from preventive measures to complicated open-heart surgery. Conveniently located in the first private sector township of Lippo Village, Siloam Hospitals Lippo Village is situated 25 kilometres from Jakarta's Soekarno-Hatta International Airport. The Hospital is close to the west of the Karawaci Toll Gate on the Jakarta-Merak toll road, which connects Jakarta, the capital and business centre of Indonesia, to the industrial city of Merak.

With a population of over 3.7 million in Tangerang Regency (Lippo Village township included), Siloam Hospitals Lippo Village has a sizeable potential patient base. In November 2007, Siloam Hospitals Lippo Village became the first Indonesia hospital to attain the United States-based Joint Commission International accreditation – the world's leading internationally recognized hospital accreditation award – putting it in the same league as other leading hospitals in the region. The hospital occupies a land area of 17,442 sq m and has a GFA of 27,284 sq m.

2.2.8 Siloam Hospitals Kebon Jeruk

With Centres of Excellence for urology and orthopaedics, Siloam Hospitals Kebon Jeruk is known for its authority in the diagnosis and treatment of disorders of the urinary tract or urogenital system. The hospital also offers prevention, medical treatment and rehabilitation services for musculoskeletal system diseases including bone, hinge, muscle, nerve/tendon, ligament and backup net/structure.

With its location about 6.0 km west of Jakarta Central, Siloam Hospitals Kebon Jeruk serves a large catchment of middle to upper income residents in the West Jakarta area. The hospital received Indonesian Hospital Accreditation from the Ministry of Health in 2002. The hospital occupies a land area of 11,420 sq m and has a GFA of 18,316 sq m.

2.2.9 Siloam Hospitals Surabaya

Siloam Hospitals Surabaya is a Centre of Excellence for fertility services, and the hospital successfully performed 1,024 ovum pick ups and also has a 46% pregnancy rate from 961 embryo transfers in 2013.

Located in the central area of Indonesia's second largest city – Surabaya, Siloam Hospitals Surabaya enjoys a large catchment area of potential patients, given the relatively lower number of higher quality hospitals in the region.

Surabaya is expected to witness increasing demand for healthcare related services as a result of strong per capita income growth. The hospital occupies a land area of 6,862 sq m and has a GFA of 9,227 sq m.

2.2.10 Imperial Aryaduta Hotel & Country Club

One of the very few hotels with linked country clubs in Jakarta, the 197-room five-star Imperial Aryaduta Hotel & Country Club comes complete with a wide range of sports, recreational, convention, and food and beverage services.

Located next to Siloam Hospitals Lippo Village, Imperial Aryaduta Hotel & Country Club provides accommodation for out-of-town inpatients, outpatients and day-surgery patients as well as their families. The hotel also attracts business travellers as it is located near the business and industrial areas of Cilegon. The property occupies a land area of 54,410 sq m and has a GFA of 17,427 sq m.

2.2.11 Pacific Healthcare Nursing Home @ Bukit Merah

Pacific Healthcare Nursing Home @ Bukit Merah, located close to Bukit Merah Town Centre and the Redhill MRT Station, as well as the City Centre, is a four-storey custom-built nursing home with 259 beds, a basement car park and a roof terrace.

Managed by Pacific Healthcare Nursing Home Pte. Ltd., the Home has a land area of 1,984 sq m and has a GFA of 3,593 sq m. Lease tenure for the land is for a period of 30 years with effect from 22 April 2002.

2.2.12 Pacific Healthcare Nursing Home II @ Bukit Panjang

Pacific Healthcare Nursing Home II @ Bukit Panjang is a five-storey custom-built nursing home with 265 beds and 33 car park lots. It is situated close to Bukit Panjang Town Centre and the Senja LRT Station, and is 18.0 km away from the City Centre.

Managed by Pacific Eldercare and Nursing Pte. Ltd., it has a land area of 2,000 sq m and a GFA of 3,563 sq m. Lease tenure for the land is for a period of 30 years with effect from 14 May 2003.

2.2.13 The Lentor Residence

The Lentor Residence is a five-storey custom-built nursing home situated at Lentor Avenue, and is managed by First Lentor Residence Pte. Ltd. Included as part of the health and medical care of the Master Plan Zoning (2008 Edition), the 208-bed nursing home occupies a land area of 2,486 sq m and has a GFA of 4,005 sq m.

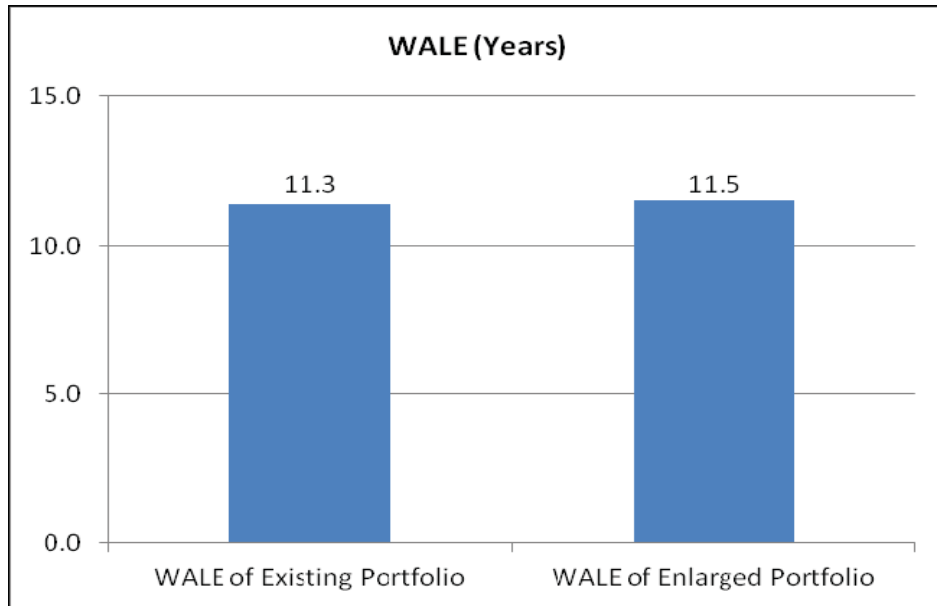
The asset enhancement of an additional storey and a five-storey extension building was completed in February 2013. Lease tenure for the land is for a period of 99 years with effect from 20 August 1938.

2.2.14 Sarang Hospital

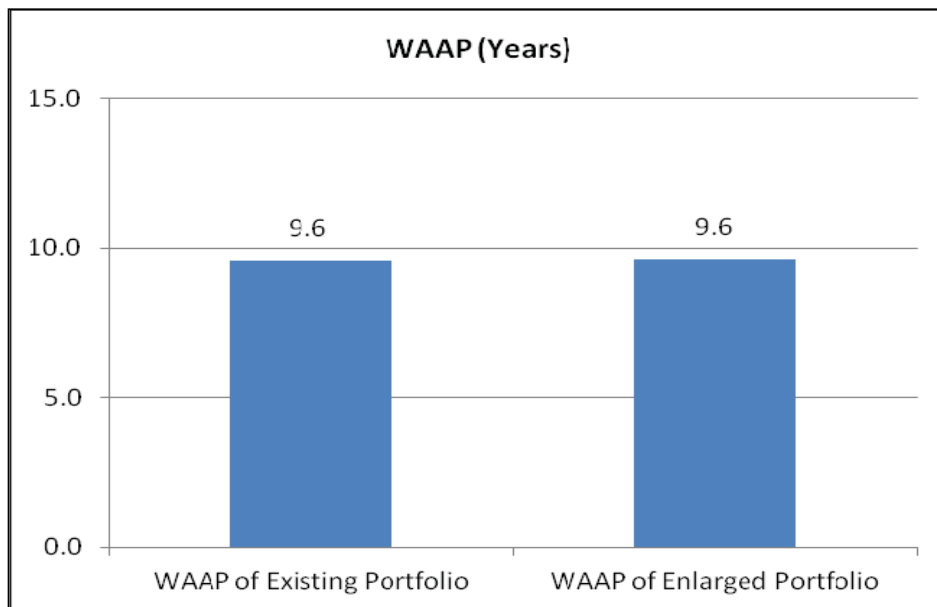
Sarang Hospital comprises a freehold six-storey hospital with one basement. It has a total GFA of 4,982 sq m and is located in Yeosu City, South Korea. It is equipped with rehabilitation facilities and currently operates 34 wards and has 217 beds.

2.3 Lease Expiry and Average Property Age Profile of the Existing and Enlarged Portfolio

The following chart illustrates the weighted average lease to expiry (“WALE”) profile of the Existing Portfolio and the Enlarged Portfolio as at 31 December 2013. The WALE will improve from approximately 11.3 years for the Existing Portfolio to approximately 11.5 years for the Enlarged Portfolio.

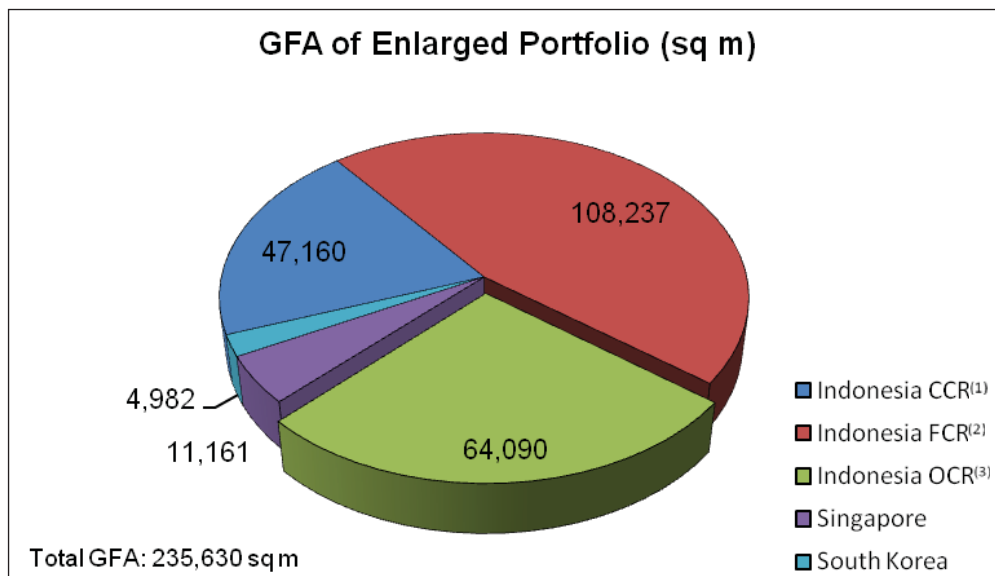
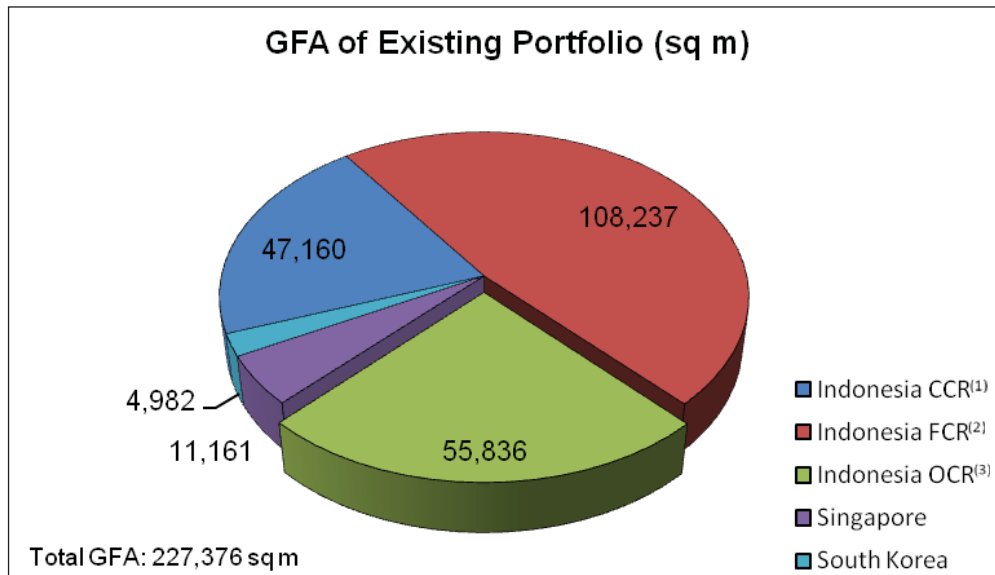


The following chart illustrates the weighted average age of properties (“WAAP”) profile of the Existing Portfolio and the Enlarged Portfolio as at 31 December 2013. The WAAP for the Existing Portfolio and the Enlarged Portfolio remains unchanged at 9.6 years.



2.4 Geographical Sector Analysis of the Existing and Enlarged Portfolio

The following charts provide a breakdown by GFA of the different geographical sectors of the Existing Portfolio and Enlarged Portfolio as at 31 December 2013. They are classified as Indonesia Core Central Region (“**CCR**”), Indonesia Fringe Central Region (“**FCR**”), Indonesia Outside Central Region (“**OCR**”), Singapore and South Korea.



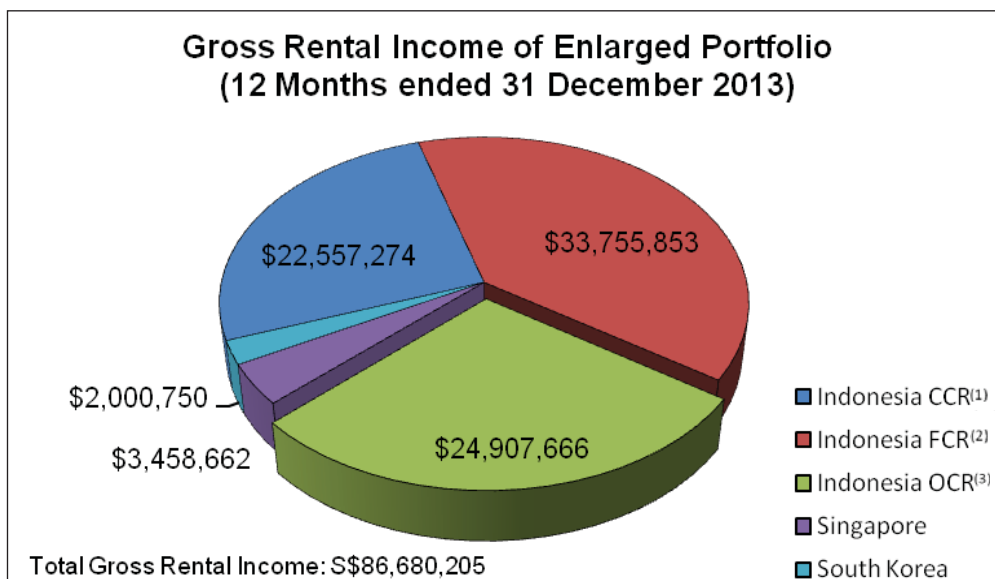
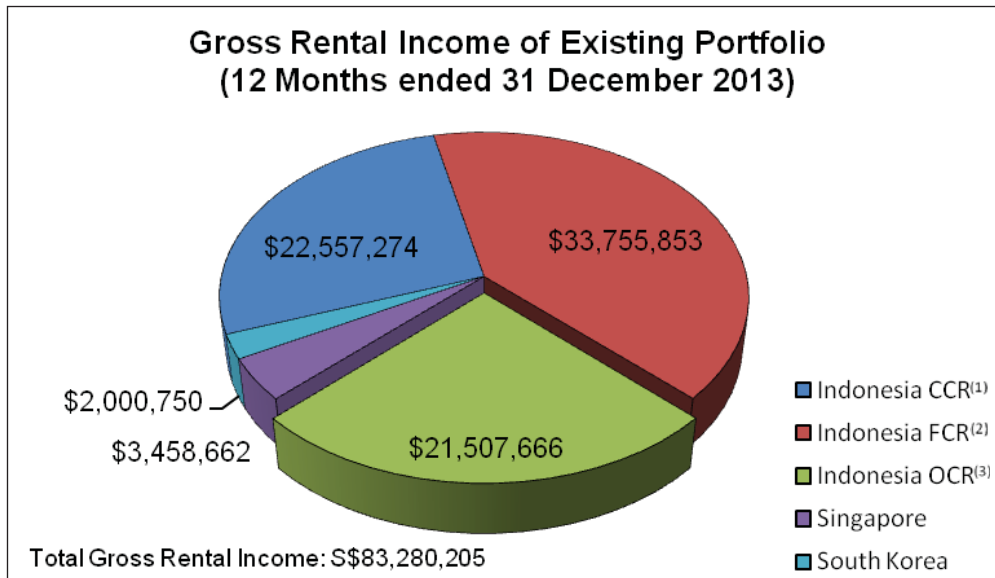
Notes:

- (1) Properties located in the Indonesia CCR are Mochtar Riady Comprehensive Cancer Centre and Siloam Hospitals Surabaya.
- (2) Properties located in the Indonesia FCR are Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar and Siloam Hospitals Kebon Jeruk.
- (3) Properties located in the Indonesia OCR are namely Siloam Hospitals Purwakarta, Siloam Hospitals Lippo Cikarang, Siloam Hospitals Lippo Village and Imperial Aryaduta Hotel & Country Club.

The GFA of the Enlarged Portfolio increased by 3.6% from 227,376 sq m to 235,630 sq m after the SHPW Acquisition.

The following charts provide a breakdown by Gross Rental Income for the Existing Portfolio and the Enlarged Portfolio by geographical location for the financial year ended 31 December 2013.

The Enlarged Portfolio's gross rental income from the Indonesia OCR will be S\$24,907,666 compared to S\$21,507,666 for the Existing Portfolio. This is an increase of 15.8%.

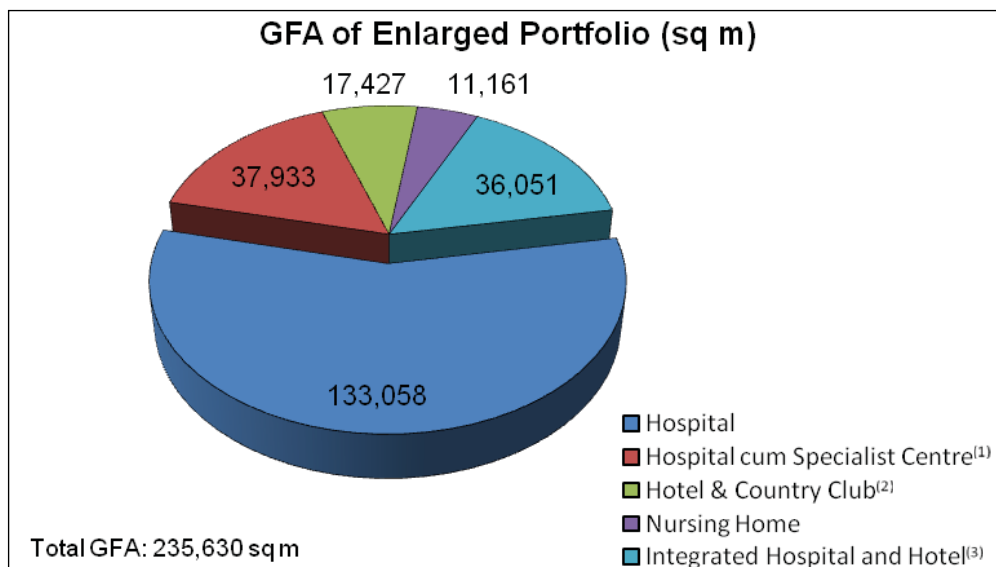
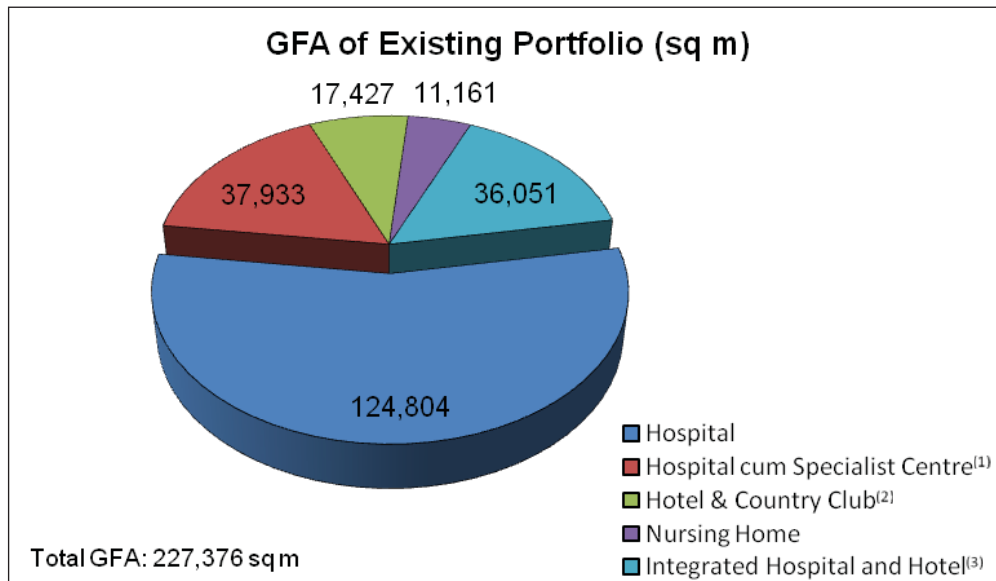


Notes:

- (1) Properties located in the Indonesia CCR are Mochtar Riady Comprehensive Cancer Centre and Siloam Hospitals Surabaya.
- (2) Properties located in the Indonesia FCR are Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado, Siloam Hospitals Makassar and Siloam Hospitals Kebon Jeruk.
- (3) Properties located in the Indonesia OCR are namely Siloam Hospitals Purwakarta, Siloam Hospitals Lippo Cikarang, Siloam Hospitals Lippo Village and Imperial Aryaduta Hotel & Country Club.

2.5 Asset Classification Analysis of the Existing and Enlarged Portfolio

The following charts provide a breakdown by GFA of the different asset classification of the Existing Portfolio and Enlarged Portfolio as at 31 December 2013.



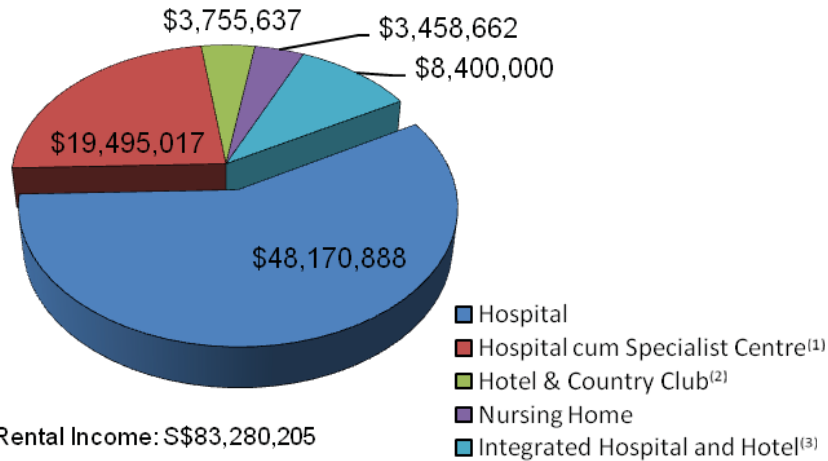
Notes:

- (1) Mochtar Riady Comprehensive Cancer Centre is classified as Hospital cum Specialist Centre.
- (2) Imperial Aryaduta Hotel & Country Club is classified as Hotel & Country Club.
- (3) Siloam Hospitals Manado & Hotel Aryaduta Manado is classified as Integrated Hospital and Hotel.

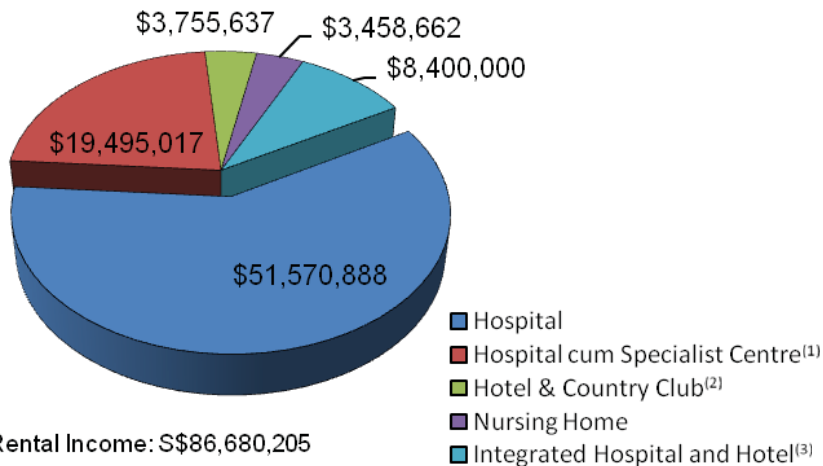
The GFA of the Hospital asset classification in the Enlarged Portfolio increased by 6.6% from 124,804 sq m to 133,058 sq m after the SHPW Acquisition.

The following charts provide a breakdown by Gross Rental Income for the Existing Portfolio and the Enlarged Portfolio by asset classification for the financial year ended 31 December 2013.

**Gross Rental Income of Existing Portfolio
(12 Months ended 31 December 2013)**



**Gross Rental Income of Enlarged Portfolio
(12 Months ended 31 December 2013)**



Notes:

- (1) Mochtar Riady Comprehensive Cancer Centre is classified as Hospital cum Specialist Centre.
- (2) Imperial Aryaduta Hotel & Country Club is classified as Hotel & Country Club.
- (3) Siloam Hospitals Manado & Hotel Aryaduta Manado is classified as Integrated Hospital and Hotel.

The Enlarged Portfolio's gross rental income from the Hospital asset classification will be S\$51,570,888 compared to S\$48,170,888 for the Existing Portfolio. This is an increase of 7.1%.

VALUATION SUMMARY REPORTS



Letter No: 083/W&R-Letter/III/2014
Page 1.

3 March 2014

To:
HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of First Real Estate Investment Trust)
21 Collyer Quay
#10-02 HSBC Building
Singapore 049320

Attention: Ms. Esther Fong, Senior Vice President, (REITs)

c/o
Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
50 Collyer Quay
#06-01, OUE Bayfront
Singapore 049321

Attention: Mr. Victor Tan, Chief Financial Officer.

RE: VALUATION OF SILOAM HOSPITALS PURWAKARTA, INDONESIA.

Dear Madam and Sir,

Pursuant to the Valuation Proposal No.232B/W&R-Proposal/XI/2013 dated 11 November 2013, Bowsprit Capital Corporation Limited has instructed KJPP Willson dan Rekan in association with Knight Frank to conduct an independent property valuation of Siloam Hospitals Purwakarta ("SHPW" / "the Subject Property") based on a proposed lease arrangement of the hospital's land and building with PT Metropolis Propertindo Utama (the "Lessee") and PT Siloam International Hospitals Tbk (the "Sub-Lessee") that is stipulated in Project Kesehatan IV Proposed Term Sheet dated 27 February 2014 (the "Term Sheet").

This valuation is required in connection with the proposed acquisition of Subject Property by First REIT and thereafter the proposed inclusion of the Subject Property into the existing property portfolio of First REIT.

Siloam Hospitals Purwakarta comprises a 3-storey hospital building and a 5-storey hospital building adjoined to each other. It has 100 operational beds (with a maximum capacity of 203 beds), and is located at Jalan Bungursari No.1, Purwakarta Regency, West Java Province, Indonesia. The hospital has a land area of 7,990 square meters and a gross building floor area of 8,254 square meters. The hospital will officially commence operations under the brand of Siloam Hospitals prior to the proposed acquisition of the Subject Property by First REIT.

The basis of this valuation is Market Value, which is defined as "the estimated amount for which an asset or a liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion" that makes references to the Indonesian Valuation Standards (Standar Penilaian Indonesia) 2013. Our valuers who conduct this valuation are abiding to the Indonesian Valuers Code of Ethics (Kode Etik Penilai Indonesia/KEPI).

Market Value is consistent with Fair Value measurement as defined in the current Singapore Financial Reporting Standard FRS 113.

Kantor Jasa Penilai Publik (KJPP) Willson dan Rekan
Jasa Penilaian Properti (Izin Usaha No. : 2.09.0049)
Wisma Nugra Santana # 17-08, Jl. Jend. Sudirman Kav. 7-8, Jakarta 10220, Indonesia
T +62 (21) 570 7170 F +62 (21) 570 7177

knightfrank.co.id

Continue to page 2...



Letter No: 083/W&R-Letter/III/2014
Page 2.

This valuation has adopted the income approach using the discounted cash flow analysis based on the terms and conditions as stipulated in the Term Sheet.

The Market Value of Siloam Hospitals Purwakarta as at 27 February 2014 subject to the execution and signing of the Master Lease Agreement with terms and condition as stipulated in the Term Sheet and subject to our disclaimer, limiting conditions, assumptions, and comments to be detailed in our full valuation report is

S\$37,470,000.

(Singapore Dollars Thirty Seven Million Four Hundred Seventy Thousand Only)

The above amount is equivalent to Indonesian Rupiahs 355,965,000,000,- at the exchange rate of S\$1 = Rp. 9,500.

This letter serves for information purposes only in presenting the above indicative valuation result. Our formal opinion of valuation will be presented in our full valuation report.

KJPP Willson dan Rekan
in association with Knight Frank

KJPP Willson & Rekan

Bayu R. Wiseso
ST, MRE, MAPPI (Cert.)
Partner

Public Valuer License No.: P-1.08.00015
Capital Market Valuer Registration No.68/BL/STTD-P/A/2012
Member of Indonesian Society of Appraiser (MAPPI) No: 00-S-01316



KJPP Rengganis, Hamid & Rekan
Property - Business Valuation & Advisory Services
Izin Usaha KJPP No. : 2.09.0012

To : HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of First Real Estate Investment Trust)
21 Collyer Quay
#10-02 HSBC Building
Singapore 049320

Our Ref. : RHP-Ct/1-P/I/2013-195
Date : 6 March 2014
No. Report : RHR00R1P031400231

VALUATION OF
FINANCIAL INTEREST IN SILOAM HOSPITALS PURWAKARTA
JALAN BUNGURSARI 1,
CIBENING VILLAGE, BUNGURSARI DISTRICT, PURWAKARTA REGENCY,
WEST JAVA PROVINCE, INDONESIA

Dear Sir/Madam,

Following instruction of HSBC Institutional Trust Services (Singapore) Limited ("HSBC") as Trustee of First Real Estate Investment Trust ("First REIT") ("the Client") under contract No. RHR-Ct/1-P/VII/2013-195 dated 14 November 2013 to advise on the Market Value of Financial Interest in land and building components of Siloam Hospitals Purwakarta ("SHPW or subject property") which is bounded under a Master Lease Agreement, located on Jalan Raya Bungursari no. 1, Cibening Village, Bungursari District, Purwakarta Regency, West Java Province, Indonesia, we hereby declare that we have completed our inspection and analysis, and submit the formal valuation report for your consideration.

This assignment has been carried out by KJPP Rengganis, Hamid & Partners-KJPP RHP (previously PT Heburinas Nusantara) an independent assessment firm registered in Indonesian Appraisers Society (Masyarakat Profesi Penilai Indonesia). Effective on 1 March 2011, KJPP-RHP has established a strategic alliance with a global property services company, CBRE. KJPP-RHP is provided with a business permit from the Ministry of Finance and registered in OJK "Otoritas Jasa Keuangan" previously Bapepam-LK (Securities Exchange Commission "SEC"). Partners of KJPP-RHP have been registered in the Ministry of Finance and OJK.

KJPP-RHP has established a strategic alliance with CBRE, the world's premier, full service real estate services company listed in New York Stock Exchange.

We understand that the purpose of this valuation is to give an independent opinion on Market Value of financial interest in subject property for potential REITS acquisition.

Basis of Valuation

The Indonesian Valuation Standard (*Standar Penilaian Indonesia*) 2013 defined Market Value and Financial Interest as follows:

Head Office:
Menara Kuningan 8th Floor
Jalan HR. Rasuna Said Blok X-7 Kav. 5, Jakarta 12940
Phone: 62-21 3001 6002 Fax: 62-21 3001 6003
email: kjpg.rhp@rhp-valuation.com

VALUATION & ADVISORY SERVICES

Our Offices:
DENPASAR | MAKASSAR | MEDAN | SOLO | SURABAYA

www.rhp-valuation.com



Market Value

"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion ". (SPI 101-3.1)

Financial Interest

"Financial Interest in property legally is derived from the division of ownership in the business entities and real property (e.g. alliance/partnership, syndicate, BOT, lease/co-Tenancies, joint venture), and granting contractual opinion rights to buy or sell property (for example land and buildings, shares or other financial instruments) at a stated price within a specific period, or derived from the establishment of investment instruments that are secured by a bunch of real estate assets."(KPUP 5.1)

We have valued the property in Singapore Dollar currency since the transaction is in Singapore Dollar. However, the operating asset generates income in Rupiah as the basis for variable rent calculation converted into Singapore Dollar by using fixed exchange rate of SGD1 = Rp9,500/- as stated in the Proposed Term Sheet dated 27 February 2014. For your information, the exchange rate at the date of valuation, 21 February 2014, is SGD1 = Rp 9,711.62/- (middle rate).

Assumption of Valuation

1. The title of the subject property is assumed to be good marketable title and free and clear from all liens and encumbrances, easements, restriction, or limitation. We did not make any land measurement and we assumed that the land drawing contained in the land certificates and/or provided by the Company is true and accurate.
2. The value stated in this report is restricted to the purpose of this valuation and cannot be used for other valuation purpose, which can be mistakenly quoted
3. We have not investigated the title or any liabilities affecting the property appraised. No consideration was made for any outstanding amount owed financing agreements, if any.
4. We have valued the financial interest since the value is depending on the potential rental as stated in Master Lease Agreement. In this valuation we have assumed that the Lessee will fulfil their liabilities until the end of contract.
5. As instructed by the client, we have assumed that the land and building will be renovated to a Siloam Hospital standard and we noted that the capital expenditure will be charged to the previous Lessee.
6. The terms, conditions, comments and details are as stated in this valuation certificate.

Approach of Valuation

Generally, there are three basic approaches to value that should be considered;

1. Income approach
2. Cost approach
3. Sales comparison approach



In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available. The final step in the appraisal process is reconciliation – a process by which we analyze alternative conclusions and selects a final value estimate from among the indications of value.

In this valuation, we have considered that the **Income Approach utilizing the Discounted Cash Flow Method (DCF Method)** analysis is most applicable in valuing the subject property with its existing lease agreement.

DCF method is most suitable for valuing income-producing properties, especially the financial interest. In this method, the anticipated series of annual net operating income of the property is processed to produce an indication of value. Net operating income is the income generated before payment on any debt service and tax. The series of net operating income is discounted into present value by using a discount rate that reflecting the level risk and return of similar properties.

Source of Information

We have been provided with copy of land title certificates, copy of building permit letter, copy of master lease term summary, copy of property tax, business plan and others related documents. We have assumed these are true and correct.

Confidentially and Disclaimers

In accordance with our normal practice we confirm that this report is confidential to the parties for the specific purpose to which it refers. No responsibility is accepted regarding any third party, and neither the whole of the report nor any part or reference there to may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

We hereby enclose our valuation certificate.

Yours faithfully

For and on behalf of

KJPP Rengganis, Hamid & Partners

 **KJPP Rengganis, Hamid & Rekan**

Ir. Rengganis Kartomo, MSc. MAPPI (Cert)

Managing Partner

Licensed Valuer No. PB-1.08.0006

MAPPI No. 95-S-00632


STTD Bapepam No. 19/BL/STTD-P/AB/2006



VALUATION CERTIFICATE

Property	Description	Market Value as of 21 February 2014
<u>Property Brief</u> The subject property is financial interest in land and building components of Siloam Hospitals Purwakarta (SHPW) which is bounded under a master lease agreement.	<u>Site Detail and Tenure</u> The site is irregular in shape with an area of about 7,990 square meters. It is generally flat and much higher than the fronting road. Based on the photocopy of the land title document provided by the Client, we understand that SHPW is covered with 6 (six) Leasehold Certificate (Sertipikat Hak Guna Bangunan Certificate – "SHGB") registered under the name of PT Purimas Elok Asri.	SGD 37,500,000/- (THIRTY SEVEN MILLION FIVE HUNDRED THOUSAND SINGAPORE DOLLARS)
<u>Location</u> SHPW is located on Jalan Raya Bungursari No. 1, Cibening Village, Bungursari District, Purwakarta Regency, West Java Province, Indonesia, or within a radius of: <ul style="list-style-type: none">• Approximately 5.1 kilometers to the northeast of Sadang Toll Exit;• Approximately 5.3 kilometers to the south of Cikampek Toll Exit;• Approximately 9.1 kilometers to the north of Alun-alun Purwakarta or Purwakarta Central Government Office.	<u>Building Description</u> SHPW is a 3-storey hospital building and 5-storey hospital building adjoined to each other. It currently has 100 operational beds, with a maximum capacity of 203 beds. SHPW will commence operations under the brand of Siloam Hospitals prior to the proposed acquisition of the subject property by First REIT. The total gross floor area is about 8,254 square meters.	

INDONESIA HEALTHCARE MARKET REVIEW REPORT

F R O S T  S U L L I V A N

Assessment of Healthcare Services Market in Purwakarta Regency (Indonesia)

Final Report

28 March 2014

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GLOSSARY

TERMS	DESCRIPTION / DEFINITION
BPJS	Badan Penyelenggara Jaminan Sosial (Indonesian equivalent to Social Security and Health Insurance)
CAGR	Compound Annual Growth Rate
CEPAT	Community Empowerment of People against Tuberculosis
COE	Centre of Excellence
CT	Computed Tomography, a radiation diagnostic technology that is often graded by the number of images (termed as slice) in a scan procedure. Currently in the market, CT scanners range from 16-slice to the most advanced 320-slice categories. CT scanners can also be classified as single or dual source, whereby the dual source models will offer better image resolution and more accurate diagnostic outcomes.
ECG	Electrocardiograph
EEG	Electroencephalography
ENT	Ear, Nose & Throat
GDP	Gross Domestic Product
GoI	Government of Indonesia
GPs	General Practitioners
GRDP	Gross Regional Domestic Product
HCS	Health Care Services
ICCU	Intensive Critical Care Unit
ICU	Intensive Care Unit
IMF	International Monetary Fund
IUWASH	Indonesia Urban Water, Sanitation and Hygiene program
Jabodetabek	Area including Jakarta, Bogor, Depok, Tangerang, and Bekasi
Jamsostek	Jaminan Sosial Tenaga Kerja (Indonesian equivalent to Workers' Social Security)
Jasa Marga	Government entity that plans, builds, operates and maintains toll roads in Indonesia
Jasa Raharja	Government entity that monitors road traffic accidents and related insurance claims
JCI	Joint Commission International
KARS	Komisi Akreditasi Rumah Sakit (Indonesian equivalent to Hospital Accreditation Commission)
MOH	Ministry of Health
MRI	Magnetic Resonance Imaging, a clinical diagnostic technique that utilises magnetic field technology. MRI scanners are usually graded by the strength of their magnet (usually termed as Tesla or abbreviated as “T”). Currently in the market, MRI scanners range from 0.5 Tesla to the most advanced 3.0 Tesla.
NICU	Neonatal Intensive Care Unit
OOP	Out of Pocket payments
PICU	Paediatric Intensive Care Unit
Puskesmas	Pusat Kesehatan Masyarakat (Indonesian equivalent to Centre of Public Health)
SDPDP	Siloam Doctor Partnership Development Program
SHG	Siloam Hospitals Group
SHPW	Siloam Hospitals Purwakarta
SOE	State Owned Enterprises
UHC	Universal Health Coverage program
USAID	United States Agency for International Development
USG	Ultrasonography
WHO	World Health Organisation

1 MACROECONOMIC INDICATORS

1.1 TRENDS IN GDP¹

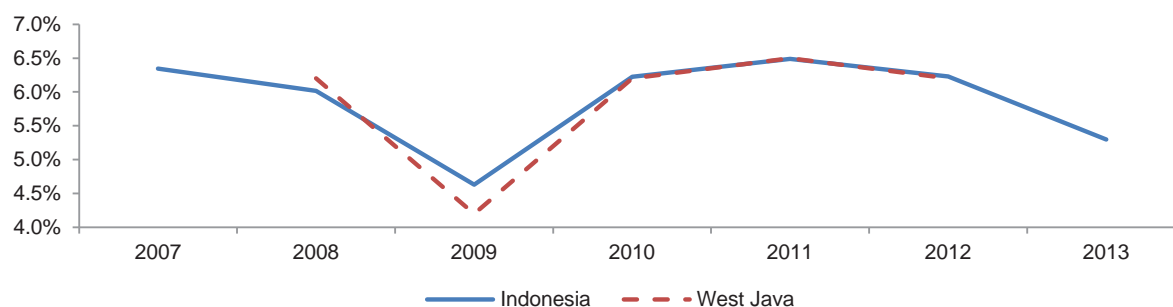
Indonesia has recovered from the global recession, and is experiencing greater economic prosperity and rising affluence, as they are largely dependent on domestic consumption rather than exports. Indonesia's real GDP expanded at a CAGR of 5.9% from 2008 to 2012. Moving forward, the GoI plans to focus on boosting investments to revive the country's GDP amidst an outflow of foreign funds from Indonesia's stock and debt markets. However, IMF believes that Indonesia's economic growth in 2014 will be better than 2013 because of the improving global economy as well as increased spending in the context of legislative and presidential elections in mid-2014. IMF also forecasted Indonesia's real GDP to grow between 5.7% and 6.2% per annum, during the period 2013-2018.

Table 1: Nominal and Real GDP for Indonesia, 2008-2012, in IDR trillion

	2008	2009	2010	2011	2012	2008–2012 CAGR
Nominal GDP	4,949	5,606	6,447	7,423	8,242	13.6%
Nominal GDP growth	25.3%	13.3%	15.0%	15.1%	11.0%	N/A
Real GDP	2,082	2,179	2,314	2,465	2,618	5.9%
Real GDP growth	6.0%	4.6%	6.2%	6.5%	6.2%	N/A

Source: IMF

Chart 1: Real GDP growth of Indonesia and Real GRDP² growth of West Java, 2008-2013



Source: IMF, BPS – Statistics of West Java

West Java is located in the western part of Java Island, and comprises of 26 regencies and cities, one of them being Purwakarta. The province has experienced a healthy real GRDP growth historically; a 2008–2012 CAGR of 5.8%, on par with the national growth. The following table shows West Java's nominal and real GRDP from 2008 to 2012.

¹ GDP or Gross Domestic Product is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, and exports less imports that occur within a defined territory.

² GRDP or Gross Regional Domestic Product is the monetary value of all the finished goods and services produced in the regional economy (by resident producers), in a specific time period, usually calculated on an annual basis.

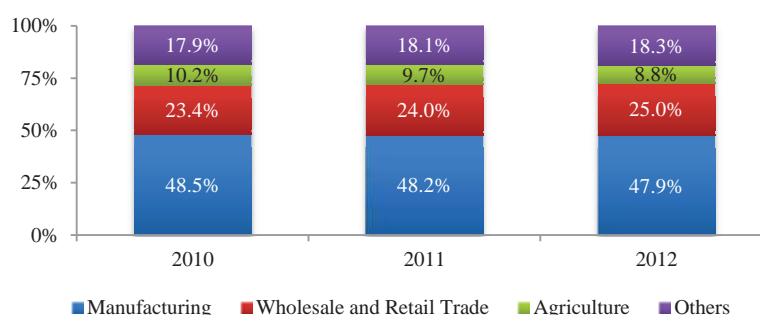
Table 2: Nominal and Real GRDP for West Java, 2008-2012, in IDR billion

	2008	2009	2010	2011	2012	2008–2012 CAGR
Nominal GRDP	633,283	689,841	771,594	860,982	946,861	10.6%
Nominal GRDP growth	20.4%	8.9%	11.9%	11.6%	10.0%	N/A
Real GRDP	291,206	303,405	322,224	343,111	364,405	5.8%
Real GRDP growth	6.2%	4.2%	6.2%	6.5%	6.2%	N/A

Source: BPS – Statistics of West Java

Purwakarta regency has followed the same economic growth as West Java and Indonesia, with a real GRDP growth of 5.8% (CAGR 2008–2012). The main economic activities in Purwakarta are manufacturing, wholesale and retail trade, agriculture, and other services. Unlike West Java, which is known for its agricultural sector (approximately 31.0% contribution to GRDP), Purwakarta’s economic activity is led by its manufacturing sector (approximately 48.0% contribution to GRDP in 2012). The remainder of Purwakarta’s GRDP comprises of wholesale and retail trade, agriculture, and other services.

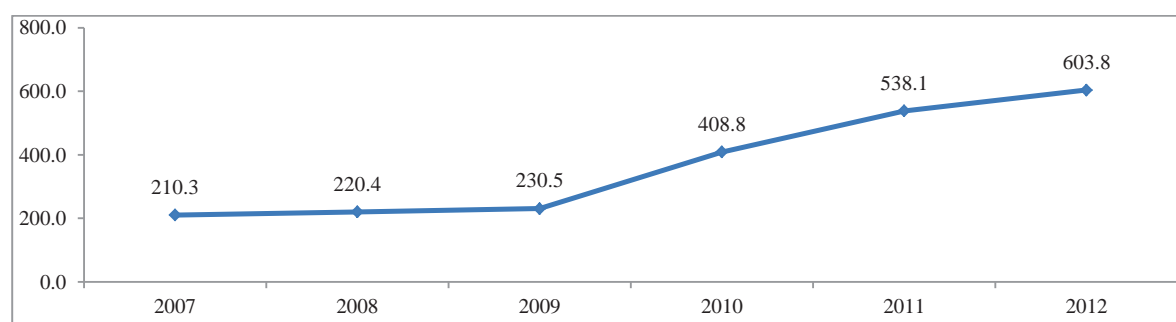
Chart 2: Composition of Purwakarta’s GRDP (at constant price), 2010 – 2012



Source: Produk Domestik Regional Bruto Kabupaten Purwakarta Menurut Lapangan Usaha 2013

Purwakarta is an industrial town comprising of many manufacturing clusters and hence the manufacturing and industrial processing sector contributes to 47.9% of Purwakarta’s GRDP. The manufacturing sector includes the following subsectors: large and medium enterprises, small enterprises, and household handicraft companies. Notable manufactured goods are building materials (bricks, ceramics, and tiles), garments, metal processing (steel and aluminum), precision parts, chemicals, and processed food.

Chart 3: Value of exports from Purwakarta (million USD)



Source: Purwakarta Dalam Angka 2013

The wholesale and retail trade sector contributed to a quarter of Purwakarta’s GRDP in 2012. The value of goods exported from Purwakarta increased at a CAGR of 23.5% from USD 201.2 million in 2007 to USD 603.8 million in 2012. Notable export commodities include gear and shift rods, polyester, rayon fibers, and nylon filament yarn.

The agricultural sector comprises of food crops, plantations, livestock, forestry, and fisheries. Majority of these agricultural products are used for domestic consumption while the rest are exported. The agricultural sector contributed to 8.8% of Purwakarta’s GRDP in 2012 and is also one of the major sources of livelihood for the residents of Purwakarta.

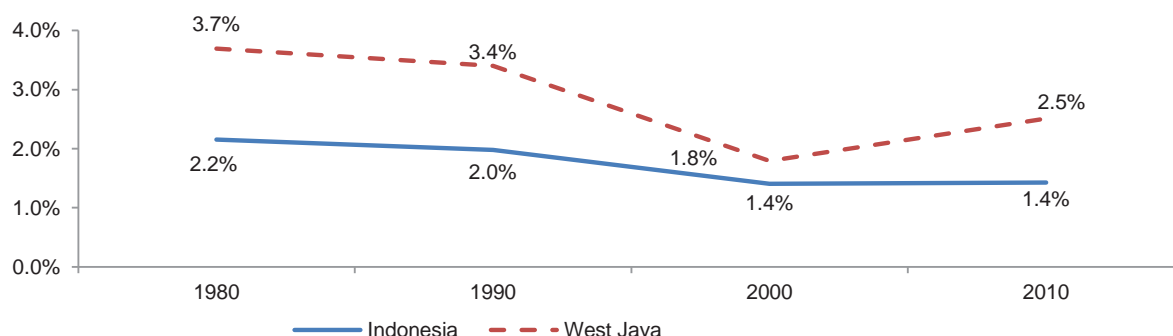
1.2 TRENDS IN POPULATION

Indonesia is the fourth largest country in the world with an estimated population of 249.8 million in 2013. According to United Nations Department of Economic and Social Affairs, Indonesia’s population is forecast to increase to 277.0 million people by 2023 at a CAGR (2013–2023) of 1.0%. The population growth is concentrated in Java Island, especially Greater Jakarta area. The economic growth is also concentrated here and in cities within Jabodetabek, mainly due to the high population growth. However, congestion has prompted some businesses to consider new growth areas such as Sulawesi, Kalimantan, and Sumatra. This is attributed to the increasing number of foreign investments in these provinces to develop the industrial, commercial, and infrastructure facilities.

Indonesia’s population above 60 years of age, previously maintained at 5.0% to 6.0% of the total population until the 1980s, has gradually increased to 8.1% in 2013 and is forecast to increase to 11.2% of the total population by 2023. The growth of the ageing population is expected to lead to an increase in demand for HCS due to:

- higher occurrence of non-communicable diseases such as cardiovascular diseases, cancer and age-related diseases such as arthritis and diabetes, among others;
- higher requirement for diagnosis and hospital-based inpatient and outpatient treatment; and
- longer duration of care.

Chart 4: Population Growth Rate in Indonesia and West Java, 1980 – 2010

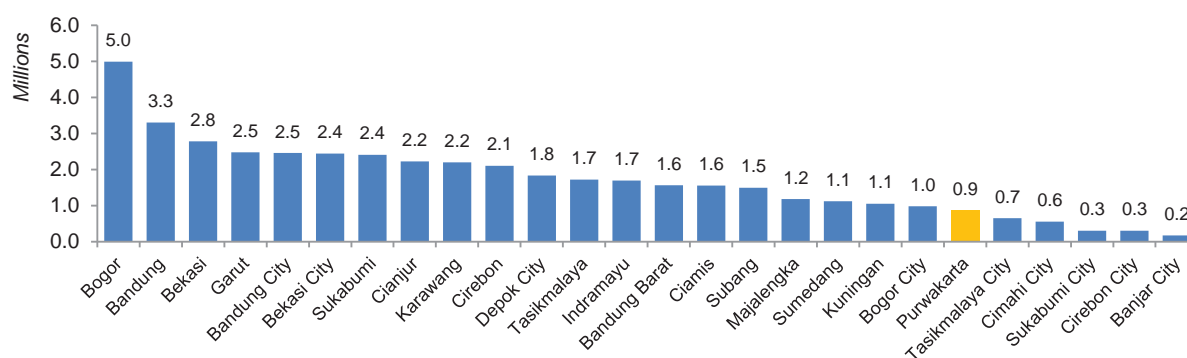


Source: Statistics of West Java, United Nations Department of Economic and Social Affairs

Such demand is expected to result in greater investments in healthcare infrastructure. This is likely to enable the further liberalization of Indonesia’s HCS market. In addition, the growing middle income population in Indonesia, which is driven by the growth of the working population coupled with the growth of the economy, is expected to fuel the demand for better HCS in the country. To cope with the rising demand, both quantity and quality of hospitals are being upgraded in public and private sectors.

In 2012, West Java was the most populous province in Indonesia, with a population of 44.5 million. The population is distributed among the 26 regencies and cities, with Bogor having the highest population, followed by Bandung. Purwakarta had an estimated population of 883,000 in 2012. Located in the central part of the province, Purwakarta is the least populated regency in West Java, when compared to neighboring regencies like Subang, Karawang, West Bandung, and Cianjur. The most populous regency, Bogor, is only 125 km away from Purwakarta.

Chart 5: Population of West Java by Regencies and Cities, in thousands, 2012



Source: BPS – Statistics of West Java

1.3 GROWTH IN MIDDLE CLASS POPULATION IN INDONESIA

Indonesia houses a strong and vibrant middle class population which is growing in size. The earning capacity of Indonesians is on the rise, leading to a shift in population from the ‘low-income class’ to the ‘middle income class’. The middle income households (households with annual earnings between USD 5,000 and USD 10,000) are estimated to be 24.6% of the total households in 2013 and expected to reach 44.3% by 2017. This increasing wealth, coupled with sedentary lifestyles, has led to a higher prevalence of chronic diseases. A rising middle class population has preference for high quality and standards of HCS, and has more affordability towards the same. The gap between the urban population’s requirements and existing service offerings calls for more private participation in the healthcare delivery system.

1.4 HEALTHCARE INDICATORS

Healthcare Expenditure

The total healthcare expenditure³ in 2012 was estimated to be USD 26.9 billion, with public expenditure⁴ (government funding, social security funds, etc.) contributing to 40.0% and private expenditure⁵ (OOP, private insurance, etc.) contributing the remaining 60.0%. Frost & Sullivan forecasts the total healthcare expenditure to reach USD 62.6 billion in 2018 at a CAGR of 15.1% from 2012, with the public and private spending contributing USD 25.4 billion and USD 37.2 billion respectively. The increase in public spending may be attributed to the implementation of UHC program in the next 3-5 years. Though growing at a marginally lower CAGR, the private healthcare expenditure is expected to be higher than the public healthcare expenditure in the years to come. Frost & Sullivan forecasts the total healthcare expenditure to reach 4.1% of the GDP by 2018 from 3.0% in 2012.

³ Total healthcare expenditure is defined by OECD as the sum of expenditure on the following activities: Personal healthcare functions (curative care, rehabilitative care, long-term nursing care, ancillary services, medical goods dispensed to out-patients), Collective healthcare functions (services of prevention and public health, health administration, health insurance), and Investment in health (gross capital formation).

⁴ Public expenditure on health is incurred by public funds. Public funds are state, regional, and local Government bodies and social security schemes. Public capital formation on health includes publicly financed investment in health.

⁵ Private expenditure on health is the privately funded portion of the total healthcare expenditure. As defined by OECD, private sources of funds include out-of-pocket payments (both over-the-counter and cost-sharing), private insurance programs, charities and occupational health care. It is to be noted that this is a source of funding and does not directly translate to revenues for private hospital players.

Table 3: Public and Private healthcare expenditure, Indonesia, in USD billion, 2008 to 2018F

Healthcare Expenditure (USD billion)	2008	2009	2010	2011	2012E	2018F
Public	5.9	6.2	7.3	7.9	10.8	25.4
Private	8.7	9.3	12.9	15.3	16.1	37.2
Total	14.6	15.4	20.2	23.2	26.9	62.6

Source: 2008 to 2011 data from WHO, 2012 estimation, and 2018 forecast by Frost & Sullivan

Healthcare Infrastructure

The healthcare system in Indonesia consists of both the public and private healthcare systems. As of December 2013, there are 2,262 hospitals classified in Indonesia, of which 1,569 are public hospitals with 220,780 beds and 693 are private hospitals with 54,600 beds. The HCS market in Indonesia is underserved, which is demonstrated by Indonesia appearing at the bottom of the comparison charts for many healthcare indicators.

Table 4: Healthcare Infrastructure in Indonesia, 2008 to 2013

Number of Hospitals	2008	2009	2010	2011	2012	2013
Public	699	755	794	1,406	1,540	1,569
General	612	667	706	1,127	1,240	1,276
Specialized	87	88	88	279	300	293
Private	673	768	838	315	543	693
General	467	535	593	246	368	468
Specialized	206	233	245	69	175	225
Total Hospitals	1,371	1,523	1,632	1,721	2,083	2,262

Source: MOH Health Profiles, Rumah Sakit Online

Note: 2013 numbers are as of December 2013

In 2011, the GoI started the process of reclassifying its hospitals, in order to classify hospitals based on their capabilities and the quality of services offered. In order to be eligible for a better classification, the hospitals will have to add or improve their facilities, for example, number of staff, therapeutic area services, medical equipment, etc. Key changes noted are (i) private non-profit hospitals are now classified as public, and (ii) State owned hospitals (SOE category) which were under Other Ministries in the public classification has been reclassified as private. The net effect of these two changes has dramatically increased the number of public hospitals in 2011 – 2013.

Table 5: Healthcare Infrastructure in Indonesia, 2008 to 2013

Number of Beds	2008	2009	2010	2011	2012	2013
General	128,750	141,603	143,428	148,125	213,133	222,251
Public	81,484	89,539	90,960	89,753	177,889	179,050
Private	47,266	52,064	52,468	58,372	35,244	43,201
Specialized	20,788	22,077	22,860	20,531	25,240	53,126
Public	n/a	n/a	n/a	n/a	20,179	41,731
Private	n/a	n/a	n/a	n/a	5,061	11,395
Total Beds	149,538	163,680	166,288	168,656	238,373	275,377

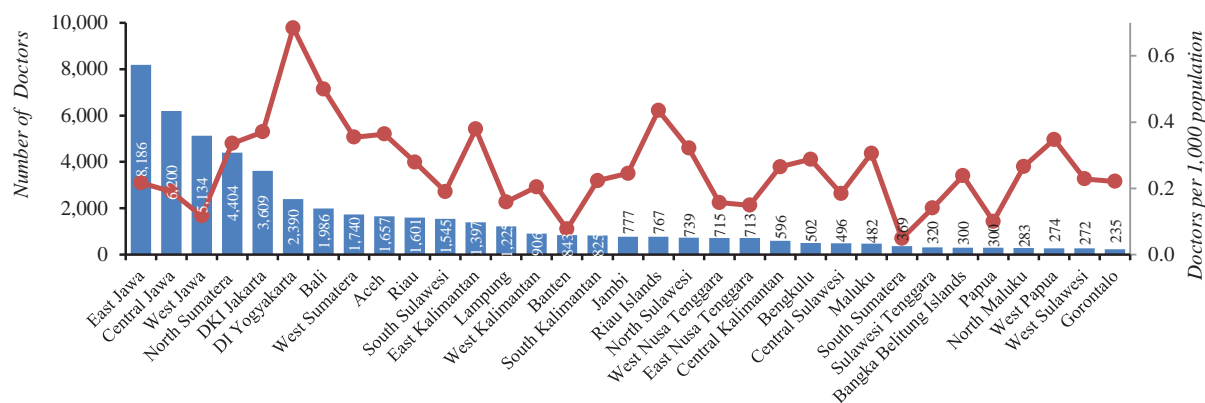
Source: MOH Health Profiles, Rumah Sakit Online

Note: 2013 numbers are as of December 2013

The GoI and private sector are making efforts to improve the healthcare infrastructure in Indonesia; however the country still faces challenges in terms of infrastructure. Indonesia's beds per 1,000 population ratio of 1.10, as of December 2013, is significantly lower than its regional neighbors, indicating the need for consolidated efforts to improve the current state of HCS in Indonesia. When compared against the global average of 3.00 beds per 1,000 population, Indonesia has a shortfall of approximately 475,000 beds.

In addition to the gaps in supply of hospital beds, Indonesia has a significant shortage of medical professionals across all provinces in Indonesia. There is a significant shortage of doctors and nurses in Indonesia (approximately 250,000 doctors and specialists shortfall as of December 2013); and the uneven distribution of the healthcare personnel also adds to the problem. As seen in the charts below, the distribution of doctors and nurses are concentrated in the Java Island.

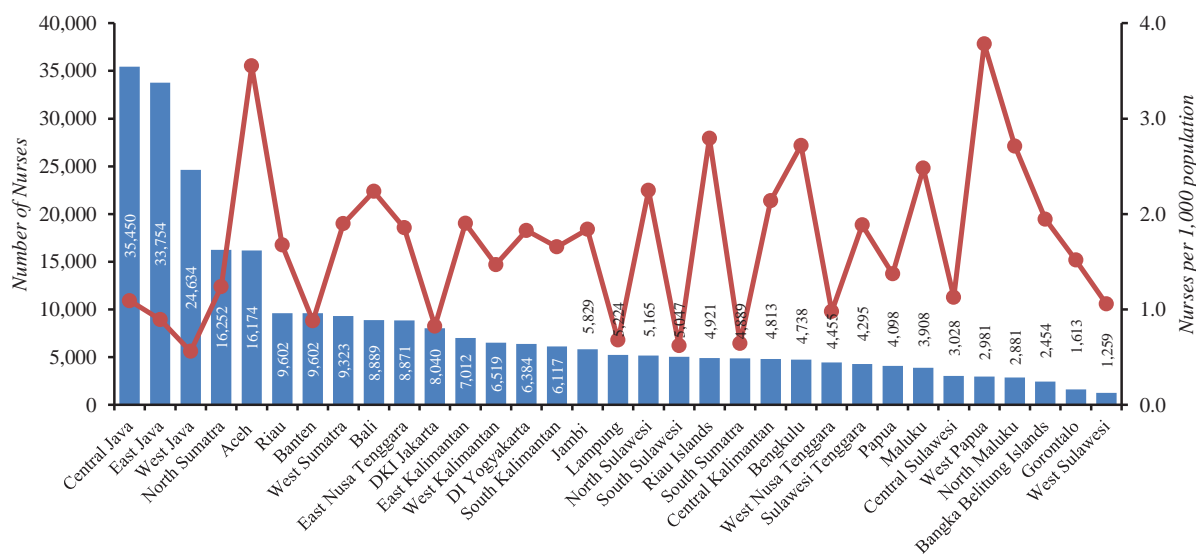
Chart 6: Doctors population in Indonesia by province, 2012(latest available year)



Source: MOH Indonesia

The GoI has instituted a mandatory policy for medical graduates to undertake six months of service in remote areas in order to overcome the shortage of doctors in rural areas. The policy of dual practice has increased utilization of both public facilities and private healthcare professionals (physicians, midwives, and nurses). MOH has invested IDR 2.92 trillion in 2012, to develop human resources in healthcare; and it further plans to invest IDR 3.73 trillion by 2014. Access to health workers in remote areas has increased through the recruitment of nutritionists, lab assistants, and nurses.

Chart 7: Nurses population in Indonesia by province, 2012(latest available year)



Source: MOH Indonesia

1.5 REGULATIONS AND GOVERNMENT POLICIES

Indonesia is a vast country with large geographical and economic disparities between sub regions. To ensure that there is positive healthcare development for the nation as a whole, healthcare efforts need to address specific healthcare issues in each region. Ordinance No.32/2004 on Provincial Government, Ordinance No.33/2004 on Balance Financing between Central and Provincial Government, and Ordinance No.38/2007 on Affairs Division between the Central, Provincial Government, and Municipal Government, all point to greater efforts and structures on planning, budget allocation, and the provision of drugs for the public sector healthcare system. These policies have to be implemented by the municipal governments. Decentralization is expected to provide greater autonomy to the regional governments in regulating their own governance systems and local affairs, including provision of healthcare services.

The shift in governmental focus towards a community-centric healthcare system since 2004 has changed the way healthcare facilities are utilized in both the public and private sectors. With recent reforms⁶ in the healthcare industry, growth within the private sector will be closely linked to the increase in public health insurance coverage, as the flow of universal public health insurance funds to the private health care sector serves as a significant benefit.

A drive to ensure UHC by 2019 in Indonesia necessarily entails large-scale investments, and is creating opportunities for the private sector. This investment, coupled with the strong economic growth that is boosting Indonesians' incomes, is leading to increasing demand for HCS, equipment, and pharmaceuticals, as well as a need for more medical professionals. The country is rapidly becoming one of the world's most important healthcare markets, and international and domestic firms are increasingly benefitting as the market grows and opens up.

The GoI formed a Commission for Hospital Accreditation in 2012 for the quality assurance of hospitals in the country. This accreditation system, which is modeled closely to international standards, assesses each hospital once every three years before issuing an accreditation. As part of the Healthcare Reform 2010 to 2014, the GoI targets to have at least six JCI accredited public hospitals in five major cities. The GoI has earmarked seven flagship public hospitals to receive JCI accreditation by 2014.

The GoI formulated the Hospital Law in 2010 to further enhance the hospital standards within the country. This proposed new ruling is likely to further liberalize public-private partnerships, and also encourage domestic and/or foreign private investments into the hospital sector. This ruling increases maximum foreign hospital stake ownership from 65% to 67% and allows foreign hospital investments throughout the country, whereas previously, this was restricted only to Surabaya and Medan. The new Hospital Law is intended to raise healthcare delivery standards across the country, and is likely to serve as a 'pull factor' to retain the outbound Indonesian medical tourists in the long term to receive HCS within the country.

⁶Notable reforms in the healthcare industry include but not limited to:

- (i) Social Security Act in 2004: aims to develop the UHC program for Indonesians and change the way medical doctors practice. The national health insurance program covers the entire population under the single insurance platform.
- (ii) Decentralization Acts in 1999 and 2004: The decentralization policy transferred the authority and financing system for the health sector from central to local governments.
- (iii) Medical Practice Act in 2004: aims to strengthen the legal enforcement in healthcare services and thereby to improve quality of care.

2 OVERVIEW OF THE HEALTHCARE SERVICES INDUSTRY IN PURWAKARTA

2.1 HEALTHCARE INDICATORS IN PURWAKARTA REGENCY

Healthcare Infrastructure

Purwakarta regency comprises of 17 sub-districts (*kecamatan*) and 183 villages. The following sub-districts are the most populous in the Purwakarta regency: Purwakarta, Plered, Sukatani, and Jatiluhur. The HCS market of Purwakarta has grown at a faster pace since 2010, especially the number of hospitals which grew at a CAGR of 25.4%. However, the number of doctors decreased marginally at a CAGR of 9.1%, but is currently compensated by majority of the doctors practicing at multiple locations, as allowed by the GoI. The following table shows the healthcare infrastructure of Purwakarta regency.

Table 6: Healthcare Infrastructure in Purwakarta Regency, 2010 – 2012

Infrastructure	2010	2011	2012	2010–2012 CAGR
Total Number of Hospitals	7	11	11	25.4%
Total Number of Public Health Centres	20	20	20	0.0%
Total Number of Pharmacies	42	43	39	-3.6%
General Doctors	69	73	57	-9.1%
Nurses	109	158	171	25.3%
Midwives	260	275	217	-8.6%

Source: BPS – Statistics of Purwakarta Regency

The following table shows the healthcare facilities available in the province of West Java and Purwakarta's position in comparison to the other regencies and cities. Though Purwakarta has the seventh largest number of hospitals in West Java, it is ranked 14th in terms of number of beds, representing the increasing number of small-sized hospitals in Purwakarta in recent years. The average number of beds per hospital in Purwakarta is approximately 60, which places the regency at the bottom of the table in the list of cities and regencies in West Java.

Table 7: Healthcare Facilities in West Java by various regencies, 2012

Infrastructure	Hospitals	Public Health Centres (Puskesmas)	Pharmacies	No. of Beds	No. of Beds per 10,000 Population
Bandung City	32	73	599	4,649	18.9
Bekasi City	33	31	344	3,434	14.0
Bekasi	32	39	48	2,051	7.4
Bogor	20	101	243	1,741	3.0
Bogor City	11	24	108	1,736	17.6
Depok City	16	32	230	1,548	8.4
Karawang	17	50	163	1,410	6.4
Cirebon	7	57	98	1,121	5.3
Sukabumi City	8	15	44	1,088	35.3
Cimahi City	4	13	59	1,056	18.8
Tasikmalaya City	14	20	81	979	15.0
Cirebon City	10	22	77	924	30.5
Bandung	7	62	258	853	2.6
Purwakarta	11	20	39	848	9.6

Infrastructure	Hospitals	Public Health Centres (Puskesmas)	Pharmacies	No. of Beds	No. of Beds per 10,000 Population
Kuningan	8	37	48	752	7.1
Sukabumi	6	58	52	658	3.0
Garut	3	65	69	633	2.5
Subang	7	40	114	586	3.9
Indramayu	7	49	87	488	2.9
Bandung Barat	3	31	61	440	2.8
Ciamis	5	52	64	419	2.7
Cianjur	2	45	88	393	1.8
Sumedang	2	32	68	359	3.2
Majalengka	3	32	67	336	2.8
Banjar City	3	10	23	335	18.6
Tasikmalaya	1	40	48	64	0.4
Total	268	1,062	4,278	28,901	6.5

Source: BPS – Statistics of West Java

Incidence of Diseases

The common causes of morbidity in Purwakarta are stroke, hypertension, diarrhea, and dengue fever. Besides these non-communicable diseases, Indonesia is vulnerable to epidemic diseases due to its huge population, large proportion of rural area, and low hygiene standards. A relevant example would be the Avian Flu (H5N1) pandemic which first appeared in Indonesia in 2005. The following tables show the high occurrence of H5N1 in Indonesia compared to other countries, as well as the especially large number of cases in the West Java province. The total number of H5N1 deaths in Indonesia represents approximately 44.0% of the total number of H5N1 deaths reported worldwide.

The numbers also show that West Java is more vulnerable than the other provinces to such an epidemic, as it is the most populous province in the country. Therefore, the province and its surrounding regions should be equipped with the necessary health facilities and experienced healthcare personnel, in order to fight such pandemic outbreaks in future.

Table 8: Avian Flu (H5N1) Cases and Deaths in Selected Countries Reported to WHO, 2003 – 2012

Country	Cases	Deaths	Province	Cases	Deaths
Indonesia	192	160	DKI Jakarta	52	44
Vietnam	123	61	West Java	48	40
Egypt	168	60	Banten	32	29
China	43	28	Central Java	13	12
Cambodia	21	19	Riau	10	8
Thailand	25	17	North Sumatra	8	7
Others	37	15	Others	29	20
Total	609	360	Total	192	160

Source: Countries data from WHO, Indonesia data provincial from Ministry of Health

Key Alliances

USAID for CEPAT Health Program

As of today, Indonesia remains among the top five countries in the world, where tuberculosis is prevalent. USAID Indonesia is a joint effort between USA and Indonesia, which deals with security, economic, social, and environmental issues. In 2013, USAID along with the Indonesian Ministry of Health launched a USD 12.0

million CEPAT program, to fight against tuberculosis by targeting the vulnerable population in urban slums, displaced and mobile population, as well as uninsured and malnourished people. The CEPAT program is also held in close collaboration with the National Tuberculosis Program, and is implemented by three Indonesian partners: Lembaga Kesehatan Nadhlatul Ulama (LKNU), Jaringan Kesehatan Masyarakat (JKM), and the Roman Catholic Diocese of Timika (RCD). The provinces benefited from this initiative are West Java, North Sumatra, West Sumatra, Banten, DKI Jakarta, East Java, Nusa Tenggara Barat, Papua and West Papua.

DAI for IUWASH Indonesia 2011 – 2016

Development Alternatives Inc is a private development company based in USA. Following the success of its Environmental Services Program (2005-2010), it designed the IUWASH program to create an impact on hygiene and health in Indonesia. West Java is one of the target areas of this program. The IUWASH program hopes to increase awareness and obtain new water connections as well as improve sanitation facilities for Indonesian households. This program is likely to improve the health of Indonesians in the long run, as well as educate them on the importance of improved sanitation and hygiene practices.

Unilever Indonesia’s Public Health Education Program

Unilever Indonesia, a leading home and personal care company, runs its Public Health Education (PHE) program since 2005 and has educated two million people and trained more than 50,000 people. West Java is one of the provinces included in the program, particularly the school PHE program. Unilever Indonesia Foundation strengthens Indonesia’s School Health program through education and awareness. The health messages are also shared with mothers in order to instill the knowledge within homes. The program is also in support of Indonesia’s Little Doctors program, which trains students as health stewards to monitor hygiene and environmental cleanliness.

2.2 HEALTHCARE MARKET DYNAMICS IN PURWAKARTA

Growth Drivers of the Healthcare Services Market in Purwakarta

a) Longer Life Expectancy

The continuous increase in life expectancy and the decline in fertility rates are the major factors underlying the growing elderly demographic in Indonesia, which in turn is driving the demand for hospital based HCS as well as primary care. As shown in Chart 8, life expectancy in Purwakarta has gradually increased from 67.1 years in 2010 to 67.6 years in 2012. This increase in life expectancy, will eventually contribute to age-related conditions such as cardiovascular diseases, diabetes, macular degeneration, and bone related problems (arthritis and osteoporosis).

Chart 8: Average life expectancy in Purwakarta, 2010-2012

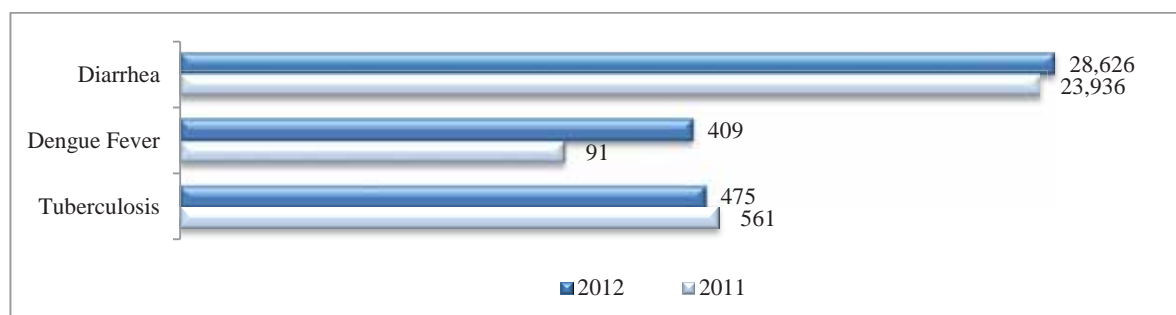


Source: BPS of Purwakarta

b) *Increased Incidence of Communicable and Non-Communicable Diseases*

The common causes of morbidity in Purwakarta are stroke, followed by hypertension, diarrhea, and dengue fever. The treatment for non-communicable diseases require a higher level of in-patient, secondary and tertiary care; sophisticated medical and laboratory facilities and well-trained healthcare professionals, leading to overall higher costs in treatments.

Chart 9: Incidence of selected health conditions in Purwakarta, 2011 and 2012

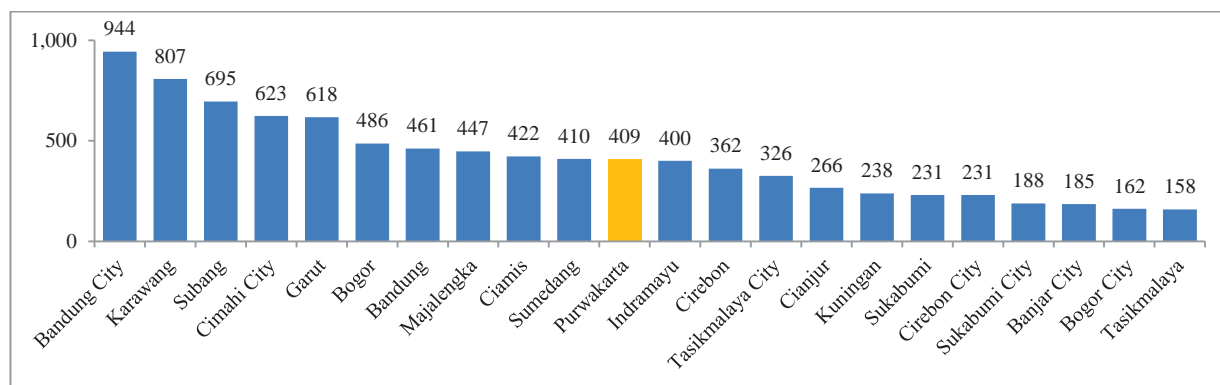


Source: BPS of West Java

c) *Accidents and Occupational Injuries on the Rise*

The young demographic profile of Purwakarta engages in reckless or careless driving, which has led to an increased number of traffic accidents. According to Purwakarta Police Statistics, in 2012, there were 409 traffic accidents in Purwakarta, with 37.0% of victims sustaining serious injuries. The graph below shows the number of traffic accidents recorded in all the regencies of West Java. Despite being the sixth-smallest regency in West Java, traffic accidents in Purwakarta were more frequent than 11 other regencies.

Chart 10: Number of Traffic Accidents in West Java by regencies, 2012



Source: BPS of West Java

The existence of many industrial areas such as Bukit Indah Industrial City, Jatiluhur Power Plant, Indotaisei, and Garment Industrial City, has led to the high incidence of occupational injuries in Purwakarta. Thus, the demand for emergency and trauma care is increasing in Purwakarta, representing a significant driver for the HCS market.

d) *Purwakarta turning into an alternate destination for Jakarta and Bandung*

Jakarta contributes one-fifth of the country's economic output; however, the city is densely populated and saturated, leading to the gradual shift of manufacturing sector to nearby cities like Bandung and Purwakarta. Purwakarta and Bandung have proven HCS infrastructure; however, given that Purwakarta is strategically

located in between Jakarta and Bandung, it represents an alternate HCS destination for residents from Indramayu and Subang, who previously used to travel long for availing good quality HCS.

The estimated travel time and cost of HCS is relatively lower in Purwakarta compared to other cities with a good HCS infrastructure. The Purwakarta-Bandung highway is acting as a gateway for the rural population to avail HCS in Purwakarta. The increasing number of private hospitals being set up in Purwakarta since 2009 is attracting patients from a wider catchment area, driving the demand for HCS market. Moreover, many companies from the industrial estates of Purwakarta have tie ups with leading hospitals to carry out the medical check-ups for their employees. Such medical check-ups lead to diagnosis of prevalent disease conditions at an early stage and thereby leading to an increased demand for HCS.

e) Increase in competition leading to reduction in cost of HCS

Leading private hospitals in Purwakarta are located in close proximity to each other, thus their HCS and catchment areas tend to overlap. Given that the current HCS facilities and equipments are similar, the private hospitals reduce the cost of HCS at regular intervals, in order to differentiate themselves from their competitors. Such an increase in competition has been a growth driver for the HCS market, as the low prices attract low to middle income population towards private hospitals, thereby increasing the demand for HCS in Purwakarta.

f) Growth of middle class population in surrounding regencies such as Indramayu

West Java is home to many of Indonesia’s fast growing middle class population. The earning capacity of Indonesians is on the rise, the population is moving from poor to middle and upper middle class, thereby developing the ability to spend on consumer products and services including HCS. Regencies such as Indramayu do not have good HCS facilities, but the residents are able to afford better HCS, and are willing to travel for these needs. This has benefited Jakarta, Bandung, and Purwakarta, which provide such services. As travel costs are increasingly insignificant, the demand for HCS in Purwakarta is expected to rise, at least until the HCS infrastructure develops in neighboring regencies.

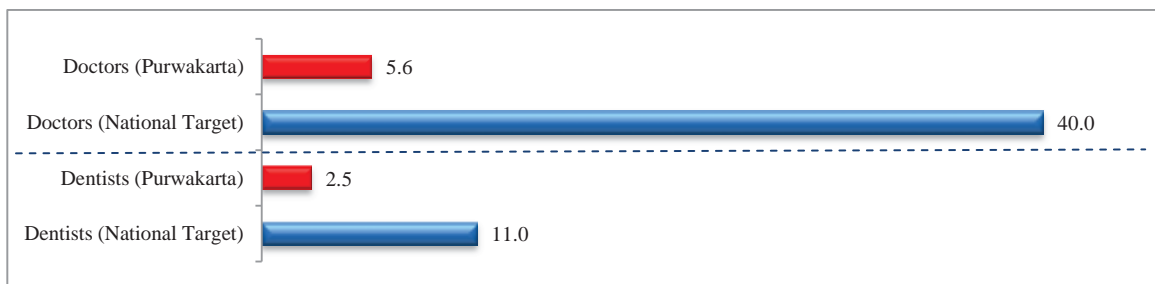
Restraints & Challenges of the Healthcare Services Market in Purwakarta

a) Limited Number of Specialists and Healthcare Professionals

Indonesia has a significant shortage of medical professionals across all provinces, which can be observed in Purwakarta as well. There is a significant shortage of doctors and specialists in Purwakarta and the uneven distribution of the healthcare personnel also adds to the challenges.

The following chart depicts the current healthcare workforce in Purwakarta. As portrayed in the chart below, approximately six doctors and three dentists are catering to every 100,000 of Purwakarta’s population. This number is significantly lower than that of the national target of 40 doctors and 11 dentists per 100,000 population. Industry experts believe that the shortage of doctors and specialists is attributed to the low incentives on offer – financial compensation and quality of living conditions. Many of these healthcare personnel prefer to work in the high density cities of Indonesia or go overseas for better incentives.

Chart 11: Number of Doctors and Dentists per 100,000 population (Purwakarta & National Target), 2012



Source: MOH

b) Poor Public Infrastructure

Public infrastructures in provinces other than Jakarta remain inadequate. According to BPS Purwakarta, approximately 25.0% of all roads in Purwakarta are damaged or in poor condition. The lack of road transport facilities and poor public infrastructure hinders easy access to HCS facilities.

c) Low awareness levels of one's own health

Low awareness levels ultimately stem from the rural areas of West Java, which make up 55% of the total number of villages in the province in 2012. Despite the high literacy rate of West Java in 2012, the rural population does not take proactive measures to monitor their own health. They tend to turn towards self-medication, traditional and/or home-made remedies for majority of the medical conditions. They do not visit a Puskesmas or a general hospital, until their medical condition develops into a health disorder. Most health campaigns conducted at Puskesmas and healthcare information advertised via brochures, banners and posters in public are neglected by the rural population. Such low awareness levels act as a restraint to the growth of HCS market in Purwakarta.

d) Financial Ability of Rural (and Lower Income) Population to Pay Hospital Bills

Long waiting list in the only public hospital in Purwakarta (RSUD Bayu Asih) forces patients to occupy Class III beds of private hospitals. All private hospitals in Purwakarta are catering to this demand by providing HCS to such lower income patients. They are used to provide this service based on Jamsostek payment packages, even before the implementation of UHC program. However, the rural and lower income population in and around Purwakarta occasionally falls short of paying the hospital bills. Though the patient volumes are increasing, it does not always convert into hospital revenues.

e) Restrictive Regulations Governing Healthcare Services

The GoI permits licensed doctors to practice at up to a maximum of three different hospitals, provided part-time employment status is attained at each hospital. Given the non-availability created by this government ruling, it is common for doctors in Purwakarta to practice every day in, up to three hospitals, including a government hospital, a private hospital, and their own private practice. This has led to severe shortage of specialists in Purwakarta. For example, Urology is a widespread disease in West Java, but there are less than 50 Urologists for about 40 districts, resulting in some patients lacking treatment until the chronic stage.

Barriers to Enter the Healthcare Services Market in Purwakarta

a) Difficulty in Obtaining Licenses

In order to commission a new hospital, a variety of licenses have to be obtained from both GoI and other local administrative bodies. In Purwakarta, building a hospital is not a barrier to entry for new entrants, as building permits can be obtained easily. However, the difficulties associated with obtaining an operating license and fulfilling other regulatory requirements would either delay or fend off potential HCS providers from entering the market.

b) Agreements Already Made between Existing Hospitals and Corporate Clients

Many companies from the industrial estates of Purwakarta have existing agreements with leading private hospitals to carry out routine medical check-ups for their employees. Though such medical check-ups lead to diagnosis of prevalent disease conditions at an early stage and are likely to create an increased demand for HCS, it is to be noted that only 20.0% to 30.0% of those corporate agreements get converted into patient traffic. The already existing corporate agreements and the below average utilization rate makes it difficult for new entrants to penetrate into the industrial patient base.

c) *Patients Trust Older Brand Names*

Purwakarta has seen a sudden rise in the number of private hospitals since 2010, which has increased the competition in the private HCS space, leading to constant reduction in cost of providing HCS. Though this turns out to be a demand driver, any new entrant to the market may find it difficult to provide better HCS and at a lower cost than existing players. It is also observed that patients trust older brand names and may not easily turn towards new players.

Industry Outlook

There is room for improvement in Purwakarta's HCS market. The regency is growing into an alternate destination for Jakarta and Bandung, but the mediocre standard of HCS infrastructure and non-availability of state-of-the-art medical equipment serve as a hindrance to the market growth.

The market is served predominantly by private HCS providers, at least half of them operating in Purwakarta only since 2010. The increase in competition has led to constant cost reduction and more demand, but has also restrained the hospitals from improving the quality of their services. Going forward, HCS providers have to prioritize their strategies and work towards making higher quality care as their differentiator, rather than cost reduction.

Purwakarta already has sufficient number of hospitals; however a significant portion of Purwakarta's population is underserved due to the shortage of specialists. There is an immediate need to address this issue, without which the currently stretched HCS system will find itself facing a situation of being unable to cater to the increasing demand and gradually changing disease profiles. Also important is the ability of hospital managements to compensate the specialists with suitable living conditions and employee benefits, so that they are happy to practice in a developing area like Purwakarta.

Rural Indonesia is expected to be more health conscious and proactively monitor its health condition, leading to routine medical checkups and early diagnosis and treatment of medical conditions. The efforts taken by the government and private sector in creating health awareness is likely to payoff in the next 5 to 10 years. The implementation of UHC is expected to favor most private hospitals in Purwakarta, as they are already catering to lower income patients through the public insurance programs.

The residential and commercial developments in and around Purwakarta is likely to turn the small industrial area into a prime commercial hub. Such developments are expected to allow the growth of middle income and affluent local residents, as well as the expatriate community. The planned new highway to Cikampek⁷ is expected to support the economic growth of Purwakarta and provide easy access to patients from an expanded catchment area. Improving HCS quality as well as upgrading the service portfolio is critical to survive in the long run.

⁷Cikampek is a sub district of Karawang Regency, approximately 20 km from Purwakarta.

2.3 OVERVIEW OF SILOAM HOSPITALS PURWAKARTA (SHPW)

RS Efarina Etaham (*the former business name of SHPW*) started its operations as a maternity hospital in 2005 and progressively grew into a multi-specialty hospital in 2006. As of today, RS Efarina Etaham is the oldest private hospital and the only Class B hospital⁸ in Purwakarta. The hospital completed a major renovation in Q1 2014 and currently comprises of a 3-storey hospital building and 5-storey hospital building adjoined to each other. The name of the hospital has been changed to SHPW post the renovation.

Hospital Workforce

As of January 2014, SHPW has 23 doctors; which include 5 Resident Medical Officers, 7 exclusive / full-time specialists, and 11 visiting / part-time specialists. Other staffs include 94 nurses, 42 allied health professionals, and 79 non-medical staff. Various specialties offered by SHPW include Internal Medicine, Anesthesiology, Cardiology, Obstetrics & Gynecology, Neurology, General Surgery, and Medical Rehabilitation. SHPW plans to increase this head count progressively, during its period of transition into a Siloam hospital. Furthermore, the hospital has also established attractive partnership and revenue sharing models for its doctors through its Siloam Doctor Partnership Development Program.

SHPW recruits medical doctors under three different schemes of full-time, part-time, and visiting basis. Under the Department of Health ruling, the GoI permits licensed doctors in Indonesia to practice at up to a maximum of three different hospitals, provided part-time employment status is attained at each hospital. SHPW follows strictly to the regulatory requirements to recruit experienced doctors on a part-time basis; however the emphasis is on recruiting more exclusive / full-time doctors.

Use of Technology

SHPW is currently equipped with advanced diagnostic technologies including 64-slice dual source CT Scanner (highest resolution in Purwakarta and Subang), X-ray machine with Fluoroscopy and C-Arm, fully equipped medical checkup facility (spirometry, audiometry, and treadmill). Hemodialysis equipment will be added in mid-2014. Currently there is no MRI equipment in any hospital in Purwakarta, but SHPW will be able to provide its patients, easy access to the MRI equipment at Siloam Hospital Lippo Cikarang, located about 55 km from Purwakarta.

To facilitate operations, SHPW is likely to install Hospital Information System and Electronic Resource Planning systems for its patient record and clinical data maintenance. Furthermore, SHPW is working towards installing video conferencing capabilities and telemedicine hub supported with high speed wireless internet, linking the hospital with other Siloam Hospitals.

Centres of Excellence (COE)

Catering to both inpatients and outpatients, SHPW is committed to providing high quality affordable services and care for patients' physical and emotional wellness. SHPW has COEs for:

- **Emergency and Trauma Care:** The COE is served by well-trained medical personnel and includes a well-equipped emergency & trauma department which is currently on par with Siloam standards.
- **Health Ministry's Social Security Program (BPJS):** SHPW is currently the only private hospital in and around Purwakarta, to be registered to treat patients under the BPJS program. Most patients prefer a private hospital rather than government hospital for treatments under this program.

⁸ Class A hospitals are highly specialized referral centers, with a minimum of 400 hospital beds. Class B hospitals are specialized referral centers with up to 18 specialty and sub-specialty departments, with a minimum of 200 hospital beds. Class C hospitals are general hospitals designed to provide basic specialist services like internal medicine, obstetrics and gynecology, and pediatrics, with a minimum of 100 hospital beds. Class D hospitals are designed to provide general healthcare services, 2 basic specialist services, with a minimum of 50 hospital beds. Both Class C and D hospitals are predominantly located in rural areas and are owned by the respective district governments.

SWOT Analysis of SHPW

Frost & Sullivan has identified the following strengths, weakness, opportunities, and threats for SHPW.

Table9: SWOT analysis of SHPW

Strengths	Weakness
<ul style="list-style-type: none"> ▪ <u>Brand name</u>: The brand name built by Efarina Etaham, as the oldest private hospital and the only Class B hospital in Purwakarta is commendable. Both brand names – Efarina Etaham and Siloam – are trusted and always associated with quality healthcare services. ▪ <u>Leverage on group infrastructure</u>: SHPW has the ability to leverage on the strengths of its parent company’s expertise and networks ▪ <u>Strong financial and operational capabilities</u>: SHG’s planned expansion of 40 hospitals across Indonesia is likely to create economies of scale for subsidiary hospitals ▪ <u>Strategic location</u>: SHPW is located in a prime location in Purwakarta – Jalan Bungur Sari – which is a busy main road and is easily accessible by the neighbourhood. SHPW is also located within 55 km from Siloam Lippo Cikarang, enabling economies of scale. ▪ <u>Conducive facilities</u>: Wards, clinical facilities and hospital building are equipped with advanced diagnostic equipments. ▪ <u>Marketing programs</u>: In order to boost market awareness, SHPW has initiated several marketing programs that includes health education campaigns and putting up billboards and posters across Purwakarta. 	<ul style="list-style-type: none"> ▪ <u>Lack of specialists</u>: There is a lack of local specialists and health professionals in Purwakarta; this resource constraint will be more significant when SHPW attempts to expand its service offerings in near future. However, the ability to transfer senior specialists from group hospitals to train and mentor the young recruits can benefit SHPW. ▪ <u>Access to the hospital</u>: Though located in a strategic location (main road), access through public transportation is comparatively difficult. Purwakarta being an industrial town, rather than a residential town, also plays a role in this weakness, which applies to all the hospitals. ▪ <u>Low health awareness of local population</u>: The local residents of Purwakarta and its surrounding areas have limited awareness of their own health and do not visit hospitals unless it is very critical. Effort is required from the local government and hospitals to educate the local population of healthy lifestyle and available healthcare facilities.
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ <u>Residential and commercial developments</u>: The commercial neighbourhood of Jalan Raya Banjarsari and Jalan Bungursariis likely to transform into a leading prime commercial hub of Purwakarta, allowing the growth of middle income and affluent local residents. Expatriate community is also expected to rise in near future. ▪ <u>New highway to Cikampek (Karawang regency)</u>: The planned new highway is expected to support the economic growth of Purwakarta and provide easy access to patients from an expanded catchment area. ▪ <u>Implementation of UHC in 2014</u>: Since most private hospitals in Purwakarta are already catering to lower income patients through the existing public insurance schemes, the implementation of UHC is likely to create more opportunities for SHPW. 	<p>Threats</p> <ul style="list-style-type: none"> ▪ <u>General perception</u>: The change in brand name (Efarina Etaham to Siloam) and the associated restructuring of the hospital building may trigger the general perception that SHPW caters only to the upper middle income and affluent patients. ▪ <u>Ability to pay bills</u>: The majority of patients in and around Purwakarta are low to middle income industrial workers. It is widely accepted that the ability of Purwakarta’s population to pay hospital bills is low and hence hospitals may face delays in collecting the bills.

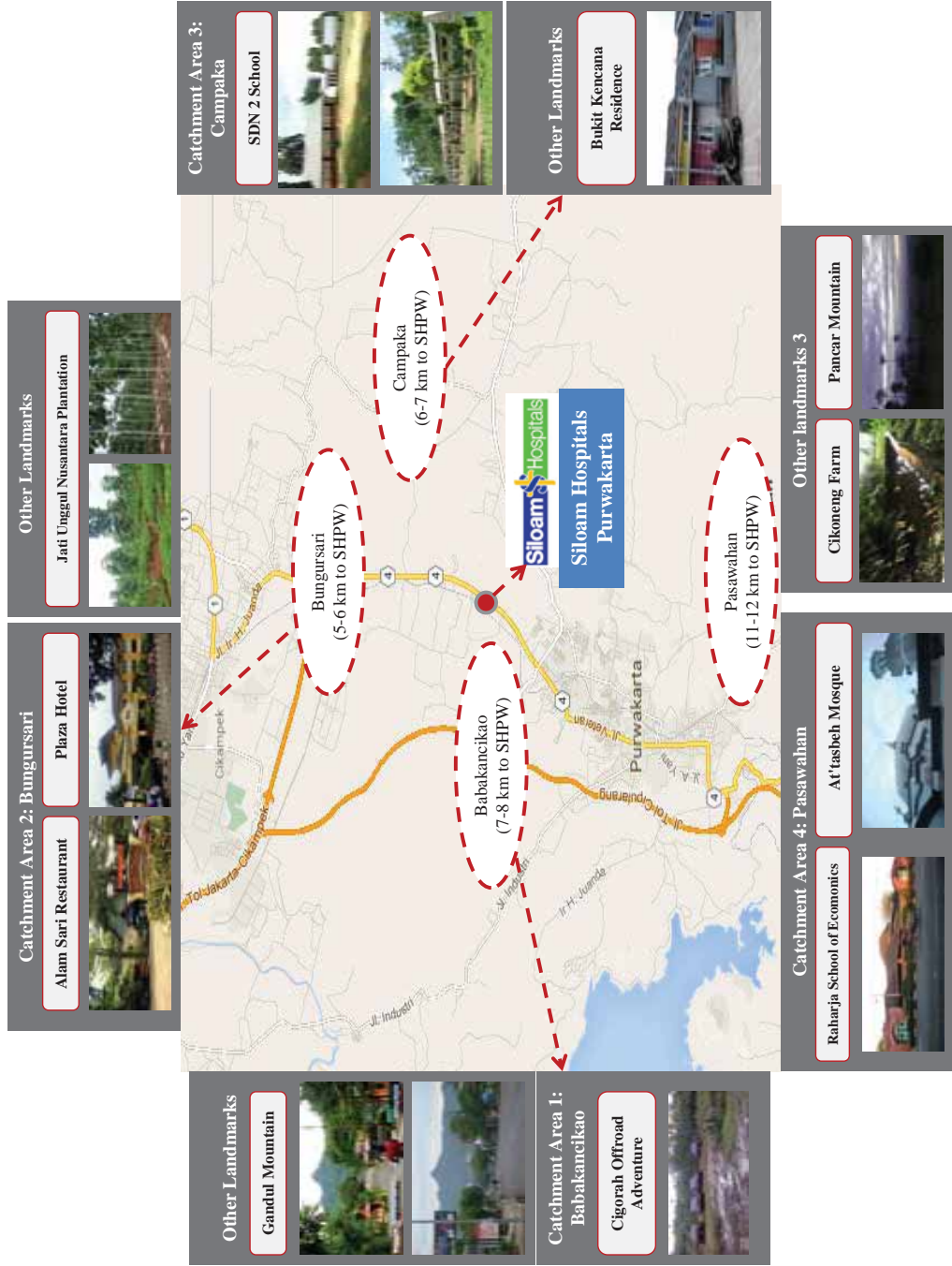
Location Map

Map1: SHPW Location Map and Travelling Distance to Key Landmarks



Source: Frost & Sullivan
 Note: The distance mentioned in kilometre is the travelling distance from SHPW and not the linear distance between the two places.

Map 2: Snapshots of Target Catchment Area within 15 km radius of SHPW



Source: Google Map, Frost & Sullivan

Demand Analysis

Primary Catchment Area: Areas within 15 km radius of SHPW

The main catchment area within the 15 km radius of SHPW includes several sub-districts of Purwakarta. Table 10 profiles the key target customers and the HCS preferred in each catchment district.

Table 10: Patient Profile in the Catchment Area within 15 km radius of SHPW

Catchment Districts	Population (2012)	Distance to SHPW	Target Patients	Key Services Required
Babakancikao	49,414	7-8 km	<ul style="list-style-type: none"> Mainly middle income population Industrial workers 	<ul style="list-style-type: none"> Pediatric Service Dentistry General health consultation
Bungursari	53,406	5-6 km	<ul style="list-style-type: none"> Middle to high income population Government officers Industrial workers Transit visitors 	<ul style="list-style-type: none"> Internal medicine Dentistry Paediatric Service Emergency & Trauma ENT
Campaka	42,583	6-7 km	<ul style="list-style-type: none"> Middle to high income population Government officers Industrial workers 	<ul style="list-style-type: none"> Dentistry Emergency & Trauma Paediatric Service
Pasawahan	42,139	11-12 km	<ul style="list-style-type: none"> Mainly low to middle income population Tourism industry & farming workers 	<ul style="list-style-type: none"> Pediatric Service Dentistry Nutrition consultation

Source: Interview with Purwakarta Health Department, Frost & Sullivan

Secondary Catchment Area: Areas beyond 15 km radius of SHPW

Other parts of Purwakarta such as Bojong, Darangdan, Jatiluhur and Plered are likely to be a good patient base for SHPW. As of 2012, the total population of these four catchment districts was approximately 247,000. Within the secondary catchment area, there is one public hospital, one maternity hospital and four community health centers serving the population. The current healthcare delivery systems in these areas mostly offer limited HCS and modalities.

Table 11: Patient Profile in the Catchment Area beyond 15 km radius of SHPW

Catchment Area	Population (2012)	Distance to SHPW	Current Healthcare Infrastructure	Target Patients
Bojong	46,575	34 km	<ul style="list-style-type: none"> Community Health Centers : 1 	<ul style="list-style-type: none"> Middle income population Government officers Farming workers
Darangdan	62,100	39 km	<ul style="list-style-type: none"> Community Health Centers : 1 	<ul style="list-style-type: none"> Middle income households
Jatiluhur	64,406	20 km	<ul style="list-style-type: none"> Maternity Hospital : 1 Community Health Centers : 1 	<ul style="list-style-type: none"> Middle income to affluent population Fishery and tourism industry workers
Plered	73,987	33 km	<ul style="list-style-type: none"> Public Hospitals : 1 Community Health Centers : 1 	<ul style="list-style-type: none"> Middle income population Industry workers

Source: Interview with Purwakarta Health Department, Google Map, Frost & Sullivan

The positioning of SHPW as a state-of-the-art private hospital is, likely to address the current needs for advanced and premium healthcare services in Purwakarta. The establishment of SHPW as an international standard hospital is also well positioned to retain affluent medical patients to seek for treatment within the province.

As of today, majority of Purwakarta hospitals are yet to meet local/international accreditation standards, as they lack advanced medical equipments and quality HCS. These factors have driven the patients from the affluent population to seek treatments in major cities, such as Jakarta or Bandung. Hence, there is a need for more accessible and advanced healthcare facilities to be present within the province to meet the healthcare demands of this population group.

SHPW's Branding Strategies

SHPW is anchored by a four-pillar foundation strategy synergized from the overall SHG strategy, comprising of:

- (a) Excellence in Emergency Services,
- (b) State-of-the-art equipment and technologies,
- (c) Utilization of healthcare IT and telemedicine and
- (d) Robust doctor partnership program.

In order to expand its target markets, SHPW is also likely to position itself as a “value for money” state-of-the-art private general hospital that targets to serve patients from all socio-economic classes.

a) Excellence in Emergency Services

Being an industrial town, it is common for hospitals in Purwakarta to witness a large number of patients with occupational injuries and victims of traffic accidents. The Emergency department in SHPW has been providing additional support to the acute care needs of the local population through its emergency care facilities, such as the well-equipped Emergency Trauma Department, and ambulance with on-board treatment capabilities.

SHPW has agreements with Jasa Marga, Jasa Raharja, and the police department to handle victims of traffic accident within/near the area Purwakarta. SHPW has also tied up with Jamsostek to handle victims of occupational accidents in companies in and around Purwakarta. Such initiatives have positioned SHPW as the destination of choice for emergency services in Purwakarta.

b) State-of-the-art Equipments and Technologies

SHPW is currently equipped with advanced diagnostic technologies including 64-slice dual source CT Scanner (highest resolution in Purwakarta and Subang), X-ray machine with Fluoroscopy and C-Arm. To ensure optimal service quality, SHPW will implement its clinical operation based on the JCI accreditation protocols currently used at the Siloam Hospitals Lippo Village Headquarters at Jakarta. The hospital manager at SHPW is also required to provide monthly medical performance updates to the SHG Chief of Clinical Improvement based in the Jakarta headquarters and has established standard protocols to handle adverse medical events.

The state-of-the-art equipment, conducive environment, well-structured medical practice protocols, and reputable brand name of Siloam are likely to be the key factors of attraction for the patients and practicing doctors, particularly where such offerings are currently lacking in the hospital market within the region.

Table 12: SHPW infrastructure and state-of-the-art equipments

SHPW Building Exterior Look	
	
SHPW Building Lobby	
	
VIP Room	
	

Class I Ward



Jamsostek Helpdesk

Polyclinics



64-slice CT Scanner

Emergency Room



Source: Frost & Sullivan

c) *Robust Doctor Partnership Program*

SHG regards the medical workforce as one of the fundamental factors for success. Hence, Siloam Doctor Partnership Development Program (SDPDP), which provides attractive remuneration packages, benefits, and career development opportunities, manages all doctor engagements established at SHPW. In order to qualify for the SDPDP, participating full time doctors are required to practice for at least 40 hours per month at SHPW.

Doctors at SHPW can fall under the following categories:

Full time doctors	Exclusive employment with SHPW, unable to practice in other hospitals, minimal income model where SHPW will reimburse any shortfall from the pre-agreed minimal income during the first year of employment.
Part time doctors	Able to practice in other hospitals, will be provided with outpatient clinic suite, able to utilize all facilities within SHPW, and should be based in SHPW for 2 to 3 hours per day.
Visiting doctors	Able to practice in other hospitals, will not be provided with outpatient clinic suite, able to refer patients for facility usage at SHPW, and should be based in SHPW for 1 to 2 days per week.

Depending on the employment nature of the doctor (full time, part time, or visiting basis), remuneration packages may include guaranteed base income, or high profit sharing arrangements. Furthermore, SHPW provides comprehensive benefits, such as lifetime health insurance coverage for the practicing doctor and their immediate family members. Participating doctors receive sponsorship for local and overseas clinical training.

Concurrently, SHPW will regularly conduct clinical symposiums and hospital visit sessions to increase the awareness of SHPW's clinical facilities and capability, thus increasing the attractiveness of SHPW as a practicing location for the local doctor community. Through more conducive practice location, advanced facilities, and more attractive remuneration schemes, SHPW anticipates that practicing doctors will thereby have a higher tendency to refer more patients from hospitals they used to practice in, to undergo treatment at SHPW. This recruitment strategy will simultaneously serve as one of the key patient attraction models for SHPW.

d) *Utilization of Healthcare IT and Telemedicine*

The availability of telemedicine infrastructure within the group hospitals will enable SHG to effectively utilize the clinical expertise from the COE at Siloam Hospitals Lippo Village headquarter. According to SHPW, SHG is currently the only private hospital group in Indonesia to possess the system that allows doctors to conduct consultations, assess diagnostic scan reports, and provide clinical instructions for patient stabilization remotely, without the need for patients to travel to the Siloam Hospitals Lippo Village headquarters in Jakarta. Through the telemedicine system, copies of all diagnostic scan reports are simultaneously transferred to SHG's radiologist expert partners in India to provide second opinion on the diagnostic results. Once implemented in SHPW (*currently under transition period from Efarina Etaham to SHPW*), doctors in SHPW will be able to make third party validated clinical decisions to ensure optimal patient safety and treatment outcomes.

Competitive Landscape of SHPW

Frost & Sullivan has identified the following hospitals as comparable / competitors to SHPW:

- RS MH Thamrin
- RS Bhakti Husada II
- RSUD Bayu Asih

RS MH Thamrin



RS MH Thamrin is managed by the Radjak Group and was founded in Purwakarta in 2009. It is one of the leading private hospitals in Purwakarta, located on the main road Jalan Bungursari. As of today, the hospital has approximately 150 beds and their centre of excellence is pulmonology and intensive care services.

RS Bhakti Husada II

The Bhakti Husada Foundation established its first hospital, RS Bhakti Husada in 1998, in Cikarang. In 2009, the group established its second hospital, RS Bhakti Husada II in Purwakarta. As of today, the hospital has over 100 beds, and employs more than 20 doctors and 100 nurses.



RSUD Bayu Asih



RSUD Bayu Asih is the only public hospital in Purwakarta, which has a history of over 80 years. Established in 1930, the hospital currently has 252 beds, and employs 54 doctors and 290 nurses. The hospital still serves as the first destination for industrial workers and their families, who generally belong to the low to middle income group. The occupancy levels are greater than 80.0%, leading the middle income population to occupy the Class III beds in private hospitals.

Table 13: Brief profiles of SHPW and its key competitors in Purwakarta

	SHPW	Bayu Asih	MH Thamrin	Bhakti Husada II
Ownership	Siloam Hospitals Group	Government of Purwakarta	Radjak Group	Bhakti Husada Foundation
Type of Ownership	Private	Public	Private	Private
Year of Establishment	2014 (started using Siloam brand name)	1930	2009	2009
Awards and Accreditation	National Accreditation 2009	Full Accreditation – 5 Svcs	Full Accreditation – 12 Svcs	Full Accreditation – 14 Svcs
Centre of Excellence	Trauma & Emergency	Orthopedic, Neuro, Cardio	Pulmonology, Intensive Care	IVA Test
Distance from SHPW	N/A	6.7 km	3.3 km	6.6km
Primary Catchment Area	Jalan Bungursari	Jalan Veteran	Jalan Bungursari	Jalan Raya Sadang-Subang
Number of Doctors	23	54	47	20
Number of Nurses	94	289	150-200	90-100
Number of Beds	203	252	150	110
Beds Occupancy Rate (2013)	45 – 50%	75 – 80%	78%	70 – 75%
Estimated inpatient volume	400-500/month	800-900/month	60-65/month	50-60/month
Types of Beds				
VVIP	√	√	√	√
VIP	√	√	√	√
Class 1	√	√	√	√
Class 2	√	√	√	√
Class 3	√	√	√	√
ICU	√	√	√	√
ICCU	x	x	x	x
NICU	√	√	√	√
PICU	x	x	√	√
Operation Room	√	√	√	√
Delivery Room	√	√	√	√
Specialties				
Cardiology	√	x	√	x
Dentistry	√	√	√	√
Dermatology	√	√	√	x
ENT	√	√	√	√
General Surgery	√	√	√	√
Hemodialysis	Will be available mid-2014	x	x	x
Intensive Care	√	√	√	√
Internal Medicine	√	√	√	√
Neurology	√	√	√	x
Ophthalmology	√	√	√	x
Orthopedic Surgery	√	√	√	√
Paediatrics, O&G	√	√	√	√
Medical Rehabilitation & Physiotherapy	√	√	√	√

	SHPW	Bayu Asih	MH Thamrin	Bhakti Husada II
Radiology	√	√	√	√
Trauma	√	x	x	x
Urology	√	x	√	x
Modalities				
X-ray	with fluoroscopy	√	x	√
USG	4G	√	√	√
EEG	√	x	√	x
ECG	√	√	x	√
CT-Scanner	√	√	√	√
MRI	x	x	x	x
Endoscopy	√	x	x	x
Mammography	√	x	x	x

Source: Hospital Interviews, Frost & Sullivan

SHPW's Pricing Strategies

Given the increasing competition in the private HCS space and associated reduction in cost of HCS, SHPW uses competitive pricing policy as part of its marketing strategy. Based on Frost & Sullivan analysis, average inpatient ward charges at SHPW are at least 25% to 30% lower than its closest competitor RS MH Thamrin. As illustrated in Table 3-9, SHPW's pricing for the second and third class wards (targeted at low income to poor population) are approximately 18% to 30% lower than the comparable private hospitals in Purwakarta, while its high end wards, such as the VVIP and VIP wards are priced at similar lower levels – approximately 20% to 40% lower than the competitors.

Table 14: Pricing comparison of inpatient ward Charges for SHPW (IDR per overnight stay)

Ward Type	SHPW	RS MH Thamrin	RS Bhakti Husada II	RSUD Bayu Asih
Presidential Suite	1,100,000	N/A	N/A	257,150
Super VIP / VVIP	N/A	600,000	N/A	210,900
VIP	400,000	500,000	N/A	180,000
1 st Class	200,000	350,000	364,500	140,600
2 nd Class	150,000	210,000	185,000	80,600
3 rd Class	75,000	110,000	86,500	53,000

Source: Frost & Sullivan

It is to be noted that, in terms of all wards, SHPW has maintained a lower pricing than its closest competitor RS MH Thamrin. Being the first and oldest private hospital in Purwakarta, and being able to offer good quality HCS at competitive prices, SHPW stands a good opportunity to attract the low to middle income patient groups in Purwakarta. The transition into Siloam standards by mid-2014 is likely to enable SHPW to attract the expatriate community. The lower price coupled with better standard of care, more advanced technology, and more conducive medical care environment generates good value for its patients.

Conclusion

Being home to more than 75 companies, Purwakarta is likely to continue to be the destination for heavy industries. In the short to mid-term, Emergency & Trauma Centre services are likely to remain as the major revenue driver for SHPW, especially due to the traffic and workplace related accidents. In the long run, SHPW can tap into urology and pathology related care, as cases of these illnesses are increasing in Purwakarta.

The next key target for SHPW is to become the preferred healthcare service provider for the industrial and residential population. Many hospitals in Purwakarta are strengthening their tie-ups with industrial clients and are also treating lower income patients under the public insurance program. Hence securing a large group of loyal patients via loyalty programs and word-of-mouth marketing is very important for SHPW's future growth.

SHPW's marketing and advertising efforts through radio, billboards, flyers, newsletters, and community events are likely to increase the awareness on health and position SHPW as a state-of-the-art private hospital in Purwakarta. SHPW's proximity and connectivity to Siloam Lippo Cikarang will enable sharing of resources (specialists) and equipments (MRI, etc.), thereby providing SHPW an edge over other service providers.

SHPW's growth depends largely on the hospital's ability to quickly transform from Efarina Etaham into a Siloam brand and also in securing the right manpower. SHPW needs to overcome the problem of non-availability of specialists and their unwillingness to work in Purwakarta. Once the specialists are in, SDPDP (which is widely used within SHG) is expected to retain them in the hospital.

IFA LETTER

STIRLING COLEMAN CAPITAL LIMITED

(Company registration no.200105040N)

4 Shenton Way #07-03
SGX Centre 2
Singapore 068807

11 April 2014

To: The Independent Directors of
Bowsprit Capital Corporation Limited
(as Manager of First Real Estate Investment Trust) (the “**Manager**”) and

HSBC Institutional Trust Services (Singapore) Limited
(in its capacity as Trustee of First Real Estate Investment Trust) (the “**Trustee**”):

Dear Sirs

INDEPENDENT FINANCIAL ADVISER’S ADVICE IN RESPECT OF THE PROPOSED MASTER LEASE OF THE SILOAM HOSPITALS PURWAKARTA

*For the purpose of this letter, capitalised terms not otherwise defined shall have the meaning given to them in the circular dated 11 April 2014 to the Unitholders of First Real Estate Investment Trust (the “**Circular**”).*

1 INTRODUCTION

First REIT was established with the principal investment objective of owning and investing in a diversified portfolio of income-producing real estate and/or real estate-related assets in Asia that are primarily used for healthcare and/or healthcare-related purposes including, but not limited to, hospitals, nursing homes, medical clinics, pharmacies, laboratories, diagnostic/imaging facilities and real estate and/or real estate related assets used in connection with healthcare research, education, lifestyle and wellness management, manufacture, distribution or storage of pharmaceuticals, drugs, medicine and other healthcare goods and devices and such other ancillary activities relating to the primary objective, whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to hold or own real estate.

As part of First REIT’s growth strategy, the Manager is committed to pursuing acquisition opportunities that will enhance First REIT’s asset base and maintain an attractive cash flow and yield profile.

1.1 THE SHPW MASTER LEASE

In relation to the acquisition of Siloam Hospitals Purwakarta (the “**SHPW Acquisition**”), a conditional master lease agreement (the “**SHPW Master Lease Agreement**”) will be entered into between the Indonesian Company (as the master lessor of SHPW) and PT MPU (as the master lessee of SHPW) pursuant to which a master lease in relation to SHPW will be granted to PT MPU (the “**SHPW Master Lease**”) for a lease term of 15 years, commencing from the date of completion of the SHPW SPA with an option to renew for a further term of 15 years.

Each of PT PEA and PT MPU (as the master lessee of SHPW) is not an Interested Person of the Sponsor under Chapter 9 of the Listing Manual or an Interested Party of the Sponsor under paragraph 5 of the Property Funds Appendix. Therefore, the SHPW Acquisition and the SHPW Master Lease are neither Interested Person Transactions under Chapter 9 of the Listing Manual nor Interested Party Transactions under paragraph 5 of the Property Funds Appendix.

While the approval of Unitholders is not required for the SHPW Acquisition and the SHPW Master Lease, for good corporate governance and transparency, the Manager is seeking the approval of the Unitholders for the SHPW Acquisition and the SHPW Master Lease on a voluntary basis as PT MPU will be sub-leasing SHPW to PT SIH (which is an indirect subsidiary of the Sponsor), or to a subsidiary of PT SIH.

As at the Latest Practicable Date, the Sponsor directly and/or through its subsidiaries and through its interest in the Manager, has deemed interests of (i) 33.59% in First REIT and (ii) 100.0% in the Manager, and is therefore regarded as a "Controlling Unitholder" of First REIT and a "Controlling Shareholder" of the Manager respectively under both the Listing Manual and the Property Funds Appendix.

2 TERMS OF REFERENCE

Stirling Coleman has been appointed to advise the Independent Directors on whether the SHPW Master Lease is on normal commercial terms and prejudicial to the interests of First REIT and its Independent Unitholders.

We have prepared this IFA Letter for the use of the Independent Directors in connection with their consideration of the SHPW Master Lease, and their advice and recommendation to the Independent Unitholders in respect thereof. The recommendations made to the Independent Unitholders in relation to the SHPW Master Lease remains the responsibility of the Independent Directors. This IFA Letter is further given for the benefit of HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee of First REIT.

We were not involved in any aspect of the negotiations in relation to the SHPW Master Lease (as defined in the Circular), nor were we involved in the deliberations leading up to the decision by the Board of Directors to enter into the SHPW Master Lease, and we do not, by this Letter or otherwise, advise or form any judgment on the merits of the SHPW Master Lease other than to form an opinion, as to whether the SHPW Master Lease is based on normal commercial terms and prejudicial to the interests of First REIT and its Independent Unitholders.

We have confined our evaluation to the commercial terms of the SHPW Master Lease and our terms of reference do not require us to evaluate or comment on the risks and/or merits of the SHPW Master Lease or the future prospects of First REIT, including whether the SHPW Master Lease is commercially desirable or justifiable, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and the management of the Manager, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. Accordingly, it is not within our scope to conduct a comprehensive independent review of the business, operations or financial condition of First REIT.

It is not within our terms of reference to compare the relative merits of the SHPW Master Lease vis-à-vis any alternative transaction previously considered by the Manager or transactions that the Manager may consider in the future, and such comparison and consideration remain the responsibility of the Directors.

In formulating our opinion and recommendation, we have held discussions with the Directors and management of the Manager and have examined publicly available information and we have relied to a considerable extent on the information set out in the Circular, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Manager and its other professional advisers. We have relied upon the assurance of the Directors and the management of the Manager that all statements

of fact, opinion and intention made by the Directors and the management of the Manager in the Circular have been reasonably made after due and careful enquiry. We have not independently verified such information but have made such reasonable enquiries and exercised our judgement as we deemed appropriate on such information and have no reason to doubt the accuracy or reliability of the information used for the purposes of our evaluation. Accordingly we cannot and do not expressly and impliedly represent or warrant, and do not accept any responsibility for the accuracy, or completeness or adequacy of such information or the manner in which it has been classified or presented or the basis of any valuation which may have been included in the Circular or announced by First REIT. The information which we relied on were based upon market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date and may change significantly over a relatively short period of time. Accordingly, we do not express an opinion herein as to the prices at which the Units of First REIT may trade upon completion of the SHPW Master Lease.

In rendering our services, we have not taken into consideration the specific investment objectives, financial situation, tax position, tax status, risk profiles or particular needs and constraints or circumstances of any individual Unitholder. As each Unitholder would have different investment objectives and profiles, any individual Unitholder who may require specific advice in the context of his specific investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Manager has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, expressed or implied, on the contents of the Circular (other than this Letter).

Our recommendation in respect of the SHPW Master Lease as set out in section 7 of the Circular, should be considered in the context of the entirety of this Letter and the Circular. Where information in this Letter has been extracted from the Circular, Independent Unitholders are urged to read the corresponding sections in the Circular carefully.

3 INFORMATION ON THE SHPW MASTER LEASE

Detailed descriptions of the SHPW Master Lease are set out in section 2.7 of the Letter to Unitholders. We recommend that the Independent Directors advise Independent Unitholders to read these sections of the Letter to Unitholders very carefully.

4 EVALUATION OF THE SHPW MASTER LEASE

In arriving at our opinion, as to whether the SHPW Master Lease is on normal commercial terms and prejudicial to the interests of First REIT and its Independent Unitholders, we have performed among other things, the following analysis:

- Rationale for the SHPW Master Lease to assess whether the objectives of the SHPW Master Lease are prejudicial to interests of First REIT and its Independent Unitholders;
- analysis of the impact of the SHPW Master Lease on property yields of First REIT;
- analysis of the key financial terms of the SHPW Master Lease as compared to other master lease agreements of properties used for healthcare and/or healthcare-related purposes owned by REITs listed in South-East Asia;
- analysis of the other commercial terms of the SHPW Master Lease; and
- other considerations relating to the SHPW Master Lease.

4.1 Rationale for the SHPW Master Lease

The Manager's rationale for the SHPW Master Lease is set out in section 5 of the Letter to Unitholders. We reproduce below extracts relevant to the SHPW Master Lease.

“Unique opportunity to invest in a growing niche market in Purwakarta, West Java

The Manager is of the view that this is a unique opportunity to acquire a good quality hospital in Purwakarta, West Java, which is a growing niche market. According to Frost & Sullivan, Purwakarta has a real Gross Regional Domestic Product compound annual growth rate of 5.8% from 2008 to 2012, where manufacturing, wholesale and retail trade, agriculture are the key contributing industries (see Appendix C of the Circular for further details). The Manager believes that SHPW is well-positioned for the middle to upper middle-income segment of the healthcare market due to the growing residential and industrial areas in Purwakarta, considering that Jakarta is densely populated and saturated, leading to the gradual shift towards nearby cities like Purwakarta and Bandung.

Furthermore, Purwakarta is strategically located in between Jakarta and Bandung, which means that it is able to attract residents from Indramayu and Subang, who previously had to travel long distances to receive good quality healthcare services. The Purwakarta-Bandung highway also acts as a gateway for the rural population to avail themselves of healthcare services in Purwakarta.

Increased income stability of First REIT through the SHPW Master Lease Agreement and an increase in First REIT’s weighted average lease to expiry

The SHPW Master Lease will be beneficial to First REIT as SHPW is expected to provide stability to First REIT’s Gross Rental Income over the next 15 to 30 years (assuming that the option to renew for a further term of 15 years is exercised). The step-up feature of the base and variable rental components under the SHPW Master Lease Agreement would also provide locked-in organic growth in First REIT’s cash flow. To ensure stability in First REIT’s Gross Rental Income from SHPW, security deposits equivalent to six months of SHPW’s annual rental payable (amounting to S\$1.7 million) will be made to First REIT in the form of bankers’ guarantees. This security deposit amount will be adjusted at relevant rent review dates.

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

Currently, the master leases of the properties in the Existing Portfolio have tenures of 10 years or 15 years. With the SHPW Acquisition, First REIT will benefit from the increase in the Enlarged Portfolio’s weighted average lease to expiry based on secured Gross Rental Income with SHPW contributing 4.6% of First REIT’s total Gross Rental Income under the SHPW Master Lease Agreement. The weighted average lease to expiry of the Enlarged Portfolio will increase from approximately 11.3 years from that of the Existing Portfolio as at 31 December 2013 to approximately 11.5 years after the completion of the SHPW Acquisition.”

4.2 Analysis of the impact of the SHPW Master Lease on property yields of First REIT

The base property yield¹ of the SHPW Master Lease is 10.97% based on the Purchase Consideration and the annual base rent of S\$3.40 million guaranteed under the SHPW Master Lease Agreement.

The estimated base property yield of the SHPW Master Lease of 10.97% is within the range of the base property yields of between 7.80% and 15.60% of the Existing Portfolio of First REIT computed on a similar basis and slightly above the average of 10.93%. When compared only against the Indonesian properties in the Existing Portfolio, we note that the estimated base property yield of the SHPW Master Lease of 10.97% is within the range of the base property yields of between 9.70% and 15.60% of the Indonesian properties in the Existing Portfolio computed on a similar basis, but below the average of 11.76%.

However, we note that the base property yield of the properties in the Existing Portfolio would have taken into account the then prevailing economic and market conditions. In particular, we note that the current yields² of the Indonesian properties have since come down as their appraised values

¹ Base property yield is calculated based on the initial base rent divided by the purchase consideration

² Current yield is calculated by dividing the total (base and variable) rent by the appraised value as at 31 December 2013

have increased significantly. The base property yield of the SHPW Master Lease at 10.97% is above the range of the current yields of between 8.16% and 9.94% of the Indonesian properties in the Existing Portfolio.

Further, we note the adjustment features in the SHPW Master Lease such as the adjustment to the base rent and the variable rent component can provide further potential upside to the total rent and in turn increase the total property yield of the SHPW Master Lease.

We note that there are similar adjustment features in the master lease agreements for the Indonesia properties in the Existing Portfolio. The Sponsor and its subsidiary, which is the sub-lessee for the SHPW Master Lease is also the master lessee for the Indonesia properties in the Existing Portfolio.

The SHPW Master Lease is for a period of 15 years with an option to renew for a further 15 years (on terms as may be agreed between the parties) and will provide strong underpinning to property yields and stability in rental income for First REIT for the next 15 to 30 years. Currently, the years to lease expiry of the properties in the Existing Portfolio are between 4 to 14 years. With the SHPW Master Lease in place, First REIT will benefit from the increase in its weighted average years to lease expiry for its Enlarged Portfolio.

4.3 Comparison of the key financial terms in the SHPW Master Lease

We note that while there are many precedents for such master lease agreements of properties owned by SGX-ST listed REITs (for example, Ascendas REIT, CapitaCommercial Trust, CDL Hospitality Trust, Frasers Commercial Trust), they are mostly in other property segment, such as the commercial and retail property segments. As such, most of these master lease agreements have their own unique features (such as rent-free period, fixed rent adjustments, performance-based variable rents, etc), which makes it difficult for comparisons to be made to them.

For our purpose, we made a comparison of the key financial terms of the SHPW Master Lease to the master lease agreements for properties used for healthcare-related and retail-related purposes, set out in the table below:

Companies / REIT	Return on base rent ⁽¹⁾	Annual adjustment to base rent	Variable rent
SHPW Master Lease	10.97%	<p>Payable from the fourth year of lease based on:</p> <p>Base rent x (2 x CPI⁽²⁾ % increase)</p> <p>Subject to floor of 0% and cap of 2%.</p> <p>The base rent is payable quarterly in advance.</p>	<p>Payable from the fourth year of lease based on fixed exchange rate of S\$1 = Rp. 9,500 and computed based on the following formula:</p> <p>(a) If GORG% < 5%, no variable rent paid;</p> <p>(b) If 5% < GORG% < 15%, variable rent = 0.75% of GORS;</p> <p>(c) If 15% < GORG% < 30%, variable rent = 1.25% of GORS;</p> <p>(d) If 30% < GORG%, variable rent = 2.0% of GORS</p> <p>whereby:</p> <p>GORG% is equivalent to the percentage growth in gross operating revenue in the preceding financial year compared to the year before that; and</p>

Companies / REIT	Return on base rent ⁽¹⁾	Annual adjustment to base rent	Variable rent
			<p>GORS is equivalent to the surplus of the gross operating revenue of the preceding financial year over the GOR of the year before that.</p> <p>The variable rent is payable quarterly in advance.</p>
Healthcare-related			
Parkway Life REIT (Properties are in Singapore)	3.9%	None	<p>Equivalent to 3.8% of the adjusted hospital revenue⁽³⁾ of the preceding financial year.</p> <p>Provided that total rent payable (base + variable) shall not be lower than:</p> <p>Total rent for preceding year x {1 + (CPI + 1%)}, where if CPI is negative, it is deemed to be zero.</p>
Indonesia properties in the AI – A'qar Healthcare REIT ⁽⁴⁾	6.5% to 14.5% ⁽⁵⁾	None	None
Indonesia properties in the Existing Portfolio	9.7% to 15.6%	<p>Payable from the fourth year of lease based on:</p> <p>Base rent x (2 x CPI % increase)</p> <p>Subject to floor of 0% and cap of 2%.</p>	<p><u>Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado and Siloam Hospitals Makassar which were the 4 most recent acquisitions by First REIT.</u></p> <p>Same computation basis as the variable rent for the SHPW Master Lease.</p> <p><u>Other Indonesia properties in the Existing Portfolio</u></p> <p>Payable from the second year of lease based on fixed exchange rate of S\$1 = Rp. 6,600 and based on the following formula:</p> <p>(a) If GORG% < 5%, no variable rent paid;</p> <p>(b) If 5% < GORG% < 15%, variable rent = 0.75% of GOR;</p> <p>(c) If 15% < GORG% < 30%, variable rent = 1.25% of GOR;</p> <p>(d) If 30% < GORG%, variable rent = 2.0% of GOR</p> <p>whereby:</p> <p>GORG% is equivalent to the percentage growth in gross operating revenue in the preceding financial year compared to the year before that; and</p> <p>GOR is equivalent to the gross operating revenue of the preceding financial year.</p>

Source: Extracted from the prospectus or latest available annual report of the relevant REITs

Notes:

- (1) Return on base rent = initial base rent / cost of investment.
- (2) CPI refers to the consumer price index of Singapore for the preceding calendar year.
- (3) Refers to invoiced value of revenue relating to inpatient revenue including lodger revenue, outpatient revenue, rental and licence fees, carpark revenue, retail pharmacy revenue, food and beverage revenue, radiology services revenue, and excluding all other revenue and revenue collected on behalf of physicians or providers of ancillary services, service, cess charges, and GST.
- (4) Listed on Bursa Malaysia.
- (5) For the first year, gross lease rental shall be between 10.0% and 11.5% of the purchase consideration, with the final amount to be negotiated between both parties. From the second year onwards, the gross lease rental with a cap of 14.5% per annum of the purchase consideration, shall be negotiated between both parties. In any event, gross lease rental shall not result in the cash flows from the Indonesia SPV to Al-A'qar to be below 6.5% per annum of the purchase consideration.

In our comparison of the key financial terms of the SHPW Master Lease, we note the following:

- The return on base rent of 10.97% for the SHPW Master Lease compares favorably to the return on base rent of 3.9% for the master leases of Parkway Life REIT.
- The return on base rent of 10.97% for the SHPW Master Lease is within the range of between 6.5% and 14.5% for the Indonesia properties of Al A'qar REIT and 9.7% and 15.6% for the Indonesia properties in the Existing Portfolio.

As mentioned in section 4.2 above, we note that the current yields of the Indonesian properties in the Existing Portfolio (computed based on the current total rent and the latest appraised value) have since decreased to between 8.16% and 9.94% as the appraised values of these Indonesian properties have increased significantly.

- There are no annual adjustment features to the base rent in the master lease agreements of Parkway Life REIT and the Indonesia properties of Al A'qar REIT. The Indonesian properties in the Existing Portfolio have the same adjustment to base rent as the SHPW Master Lease.
- The variable rent for the SHPW Master Lease is up to 2.0% of the surplus in the audited gross operating revenue (depending on the year-on-year growth of the gross operating revenue). In comparison, the variable rent for the master leases of Parkway Life REIT is fixed at 3.8% of the adjusted hospital revenue. The Indonesia properties of Al A'qar REIT have no variable rent component.
- the variable rent structure for the SHPW Master Lease is the same as the variable rent structure for Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Manado & Hotel Aryaduta Manado and Siloam Hospitals Makassar, which were the 4 most recent acquisitions made by First REIT. We understand that variable rent will only be payable from the fourth year onwards to allow the lessee to conserve cash flow thereby enabling the lessee to step up and enhance its operations to an optimal level.

4.4 Other commercial terms of the SHPW Master Lease

4.4.1 Fixed exchange rate

The SHPW Total Rent shall be paid in Singapore dollars. In respect of the variable rent, if the gross operating revenue on which the calculation of the variable rent is based is calculated in Indonesian Rupiah, the SHPW Total Rent will be paid according to the exchange rate of S\$1.00 to Rp. 9,500 (which shall be fixed for the entire lease term).

4.4.2 Assignment/Subletting

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

PT MPU shall not sublet SHPW without the prior written consent of the Indonesian Company (such consent not to be unreasonably withheld) and subject to such terms and conditions which the Indonesian Company may impose, provided always that PT MPU shall not be required to seek the consent of the Indonesian Company, but only notify the Indonesian Company in writing, in the event of any sublease of SHPW by PT MPU to PT SIH or a subsidiary of PT SIH.

4.4.3 Maintenance and other operating expenses of SHPW

PT MPU (as the master lessee of SHPW) will be responsible for all outgoings including, but not limited to, expenses relating to the internal and external property repairs and maintenance, landscaping, utility costs, property related taxes. Accordingly, First REIT will not be affected by any cost escalation in Indonesia of maintenance and operation expenses in relation to SHPW.

4.4.4 Insurance

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

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

PT MPU shall pay for any increase in premium payable due to increase in sum insured for property all-risk (including earthquake), if any.

The Manager believes that the insurance policies taken out by PT MPU for SHPW are consistent with industry practice in Indonesia.

4.5 Other considerations relating to the SHPW Master Lease

We advise that you highlight the following factor to the Independent Unitholders, which should be considered, together with the other comments and issues raised in this Letter and the contents of the Circular.

Benefits from the property management and operating expertise of the Sponsor and the use of the established "Siloam" brand for hospitals

PT SIH, the sub-lessee of SHPW, is an indirect subsidiary of the Sponsor, which is an internationally recognised corporation and is one of the largest broad-based property companies in Indonesia listed on both the Jakarta Stock Exchange and the Surabaya Stock Exchange. The Sponsor has a large property portfolio comprising townships and residential developments, commercial and retail development properties, healthcare, infrastructure and hospitality properties with a recognised track record in the planning and development of large property, infrastructure and township projects as well as ongoing maintenance, upkeep and renovation of properties.

The Sponsor ventured into the healthcare business in 1995 when it established and developed Siloam Hospitals Lippo Karawaci. Since then, it had developed and acquired several hospitals, such as Siloam Hospitals Lippo Cikarang, Siloam Hospitals Surabaya, Siloam Hospitals West Jakarta under its “Siloam” brand of hospitals and built up its expertise in managing healthcare businesses including the Indonesian properties of the Existing Portfolio.

Upon entering into the SHPW Sub Lease Agreement, SHPW will be able to benefit from the Sponsor’s expertise in property management and operating expertise as well as being managed under the “Siloam” brand, which is a well-known and established brand name for hospitals in Indonesia.

5 SUMMARY OF ANALYSIS

In arriving at our recommendation in respect of the SHPW Master Lease, we have taken into account the views and representations by the Directors and management of the Manager and the factors set out in Section 4 above. The key considerations are summarised below. Independent Unitholders should be advised to read the following in conjunction with, and in the context of, the full text of this Letter and the Circular.

- a. the Manager’s rationale for the Master Leases appears to be based on sound commercial grounds;
- b. the estimated base property yields of the SHPW Master Lease of 10.97% is within the range of the base property yields of between 9.70% and 15.60% of the Indonesian properties in the Existing Portfolio computed on a similar basis, but below the average of 11.76%. However, we note that the base property yield of the properties in the Existing Portfolio would have taken into account the then prevailing economic and market conditions. In particular, we note that the current yields (computed based on the current total rent and the latest appraised value) of the Indonesian properties in the Existing Portfolio have since come down as their appraised values have increased significantly. In this respect, the base property yields of the SHPW Master Lease at 10.97% is above the range of the current yields of between 8.16% and 9.94% of the Indonesian properties in the Existing Portfolio;
- c. the SHPW Master Lease will allow First REIT to benefit from the increase in its weighted average years to lease expiry for its Enlarged Portfolio;
- d. the adjustments to the base rent and variable rent component under the terms of the Master Lease will provide potential further upside to the total rent and property yield and will also allow First REIT to benefit from the growth of the healthcare industry in Purwakarta;
- e. the return on base rent of 10.97% for the SHPW Master Lease compares favorably to the return on base rent of 3.9% for the master leases of Parkway Life REIT;
- f. the return on base rent of 10.97% for the SHPW Master Lease is within the range of between 6.5% and 14.5% for the Indonesia properties of Al A’qar REIT and between 9.7% and 15.6% for the Indonesia properties in the Existing Portfolio. As mentioned above, we also noted above that the current yields of the Indonesian properties in the Existing Portfolio have since decreased as their appraised values of these Indonesian properties have increased significantly;

- g. the SHPW Master Lease provides for potential upward adjustment to the base rent, based on two times the increase in the consumer price index of Singapore for the preceding calendar year, subject to a floor of 0% and cap of 2.0%. There are no annual adjustment features to the base rent in the master lease agreements of Parkway Life REIT and the Indonesia properties of AI A'qar REIT;
- h. the variable rent for the SHPW Master Leases is up to 2.0% of the surplus in the audited gross operating revenue of the hospital (depending on the year-on-year growth of the gross operating revenue). In comparison, the variable rent for the master leases of Parkway Life REIT is fixed at 3.8% of the adjusted hospital revenue, while there is no variable rent component for the Indonesia properties of AI A'qar REIT;
- i. the variable rent structure for the SHPW Master Lease is the same as the variable rent structure for Siloam Hospitals TB Simatupang, Siloam Hospitals Bali, Siloam Hospitals Manado and Siloam Hospitals Makassar, which were the 4 most recent acquisitions made by First REIT. Variable rent will only be payable from the fourth year onwards. We understand that this is to allow conservation of cash flow thereby enabling the tenant to step up and enhance its operations to an optimal level;
- j. even though SHPW is located in Indonesia, the rental income to be received from the Sponsor will be denominated in Singapore Dollars under the SHPW Master Lease. This will eliminate any foreign currency exchange risk that First REIT may face from its rental income;
- k. under the terms of the SHPW Master Lease, PT MPU is not allowed to sublet SHPW without the prior written consent of the Indonesian Company (such consent not to be unreasonably withheld) and all subletting shall be subject to such terms and conditions which the Indonesian Company may impose. The sub-lessee must also be of good repute and sound financial standing;
- l. PT MPU (as the SHPW master lessee) will be responsible for all outgoings including, but not limited to, expenses relating to the internal and external property repairs and maintenance, landscaping, utility costs, property related taxes. Accordingly, First REIT will not be affected by any cost escalation in Indonesia of maintenance and operation expenses in relation to SHPW;
- m. at all times during the term of the SHPW Master Lease and during any period of holding over, PT MPU shall at its cost and expense, take out and keep in force relevant insurance policies in the joint names of the Trustee, the Indonesian Company, PT MPU, and the other interested parties; and
- n. through the sub-lessee agreement between PT MPU and PT SIH, First REIT will be able to benefit from the Sponsor's property management and operating expertise and the use of the established "Siloam" brand name for hospitals.

6 RECOMMENDATION AND CONCLUSION

Having carefully considered the information available to us, and based upon the monetary, industry, market, economic and other relevant conditions subsisting on the Latest Practicable Date and based on the factors set out in section 5 above, and subject to the qualifications and assumptions made herein, we are of the view that the SHPW Master Lease is on normal commercial terms and not prejudicial to the interests of First REIT and its Independent Unitholders. Accordingly, we are of the view that the Independent Directors should recommend that Independent Unitholders vote in favour of the SHPW Master Lease to be proposed at the EGM.

In performing our evaluation and arriving at these conclusions, we wish to emphasise that the opinion set forth herein is based solely on publicly available information and information provided by the Directors and the management of the Manager and therefore does not reflect any projections or future financial performance of First REIT after the completion of the SHPW Master Lease and is based on the economic and market conditions prevailing as of the date of this Letter. Our advice is strictly confined to our views on the SHPW Master Lease.

This Letter (for inclusion in the Circular) is addressed to the Independent Directors and the Trustee for their benefit, in connection with and for the purpose of their consideration of the SHPW Master Lease. The recommendation made by the Independent Directors to the Independent Unitholders in relation to the SHPW Master Lease remains the responsibility of the Independent Directors.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not imply by implication to any other matter.

Yours faithfully
For and on behalf of
STIRLING COLEMAN CAPITAL LIMITED

YAP YEONG KEEN
DIRECTOR

ANG LIAN KIAT
DIRECTOR

SINGAPORE TAX CONSIDERATIONS

The following summary of certain Singapore income tax considerations to Unitholders in respect of the SHPW Acquisition is based upon tax laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary is not a tax advice and does not purport to be a comprehensive description of all the considerations that may be relevant to Unitholders. Unitholders should consult their own tax advisers on the tax implications that may apply to their own individual circumstances.

Singapore Income Tax

Income derived from SHPW

The rental income and other related income earned from SHPW will be received in Singapore by the relevant Singapore subsidiaries in a combination of some of the following forms:

- (i) dividend income;
- (ii) interest income; and
- (iii) proceeds from repayment of shareholder's loans.

The dividend income received in Singapore by the relevant Singapore subsidiaries (the "**Foreign Dividend Income**") will be exempt from tax under Section 13(8) of the Income Tax Act, Chapter 134 of Singapore (the "**Income Tax Act**") provided that each of the relevant Singapore subsidiaries is a tax resident of Singapore and the following conditions are met:

- (i) in the year the Foreign Dividend Income is received in Singapore, the headline corporate tax rate of the jurisdiction from which it is received is at least 15.0%;
- (ii) the Foreign Dividend Income has been subjected to tax in the jurisdiction from which it is received; and
- (iii) the Singapore Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the relevant Singapore subsidiary.

Finura Investments will make an application to the Inland Revenue Authority of Singapore to exempt the interest income received in Singapore from Singapore income tax under Section 13(12) of the Income Tax Act.

This tax exemption, if granted to Finura Investments, will be subject to stipulated conditions and will only apply to interest income received in Singapore on or before 31 March 2015. Unless the tax exemption is subsequently extended by the Singapore Government, any of such interest income received in Singapore after 31 March 2015 may be subject to Singapore income tax at the prevailing corporate rate of tax, currently at 17.0%. Finura Investments should be entitled to claim a credit for the amount of Indonesian withholding tax suffered against the Singapore income tax payable on the net interest income (i.e. after deducting allowable expenses, if any). The amount of credit that can be claimed is the lower of the actual foreign tax paid or the amount of Singapore tax payable on such net interest income.

Cash that cannot be repatriated by the Indonesian subsidiary in the form of dividends may be used by this Indonesian subsidiary to repay the principal amount of shareholder's loans extended by Finura Investments. The proceeds from the repayment of shareholder's loans received in Singapore by Finura Investments are capital receipts and hence not subject to Singapore income tax.

First REIT will in turn receive dividends and redemption (at cost) of preference shares from Finura Investments. Provided Finura Investments is a resident of Singapore for income tax purposes, the dividends received by First REIT will be one-tier (tax-exempt) dividends and hence exempt from Singapore income tax. The proceeds from redemption (at cost) of preference shares received by First REIT are capital receipts and not subject to Singapore income tax.

Distributions to Unitholders

Distributions made by First REIT out of the income or cashflow generated from SHPW may comprise either or both of the following two components:

- (i) tax-exempt income component (“**Tax-Exempt Income Distributions**”); and
- (ii) capital component (“**Capital Distributions**”).

Tax-Exempt Income Distributions refer to distributions made by First REIT out of its tax-exempt income (which comprises mainly the one-tier (tax-exempt) dividends that it will receive from Finura Investments). Such distributions are exempt from Singapore income tax in the hands of Unitholders. No tax will be deducted at source on such distributions.

For this purpose, the amount of Tax-Exempt Income Distributions that First REIT can distribute for a distribution period will be to the extent of the amount of tax-exempt income that it has received or is entitled to receive in that distribution period. Any distribution made for a distribution period out of profits or income which First REIT is entitled to receive as its own tax-exempt income after the end of that distribution period will be treated as a capital distribution and the tax treatment described in the next paragraph on “Capital Distributions” will apply. The amount of such tax-exempt income that is subsequently received may be used to frank tax-exempt income distributions for subsequent distribution periods.

Capital Distributions refer, *inter alia*, to distributions made by First REIT out of proceeds received from the redemption of preference shares. Unitholders will not be subject to Singapore income tax on such distributions. These distributions are treated as returns of capital for Singapore income tax purposes and the amount of Capital Distributions will be applied to reduce the cost of Units held by Unitholders. Accordingly, the reduced cost base will be used for the purpose of calculating the amount of taxable trading gains for those Unitholders who hold Units as trading or business assets and are liable to Singapore income tax on gains arising from the disposal of Units. If the amount of Capital Distributions exceeds the cost or the reduced cost, as the case may be, of Units, the excess will be subject to tax as trading income of such Unitholders.

INDEPENDENT INDONESIAN TAXATION REPORT



Jakarta, April 1, 2014

Letter No. TAJ-0628

The Board of Directors
Bowsprit Capital Corporation Limited
 As Manager (the "Manager") of First Real Estate Investment Trust
 50 Collyer Quay
 #06-01 OUE Bayfront
 Singapore 049321

HSBC Institutional Trust Services (Singapore) Limited
 As Trustee of First Real Estate Investment Trust
 21 Collyer Quay
 #10-02 HSBC Building
 Singapore 049320

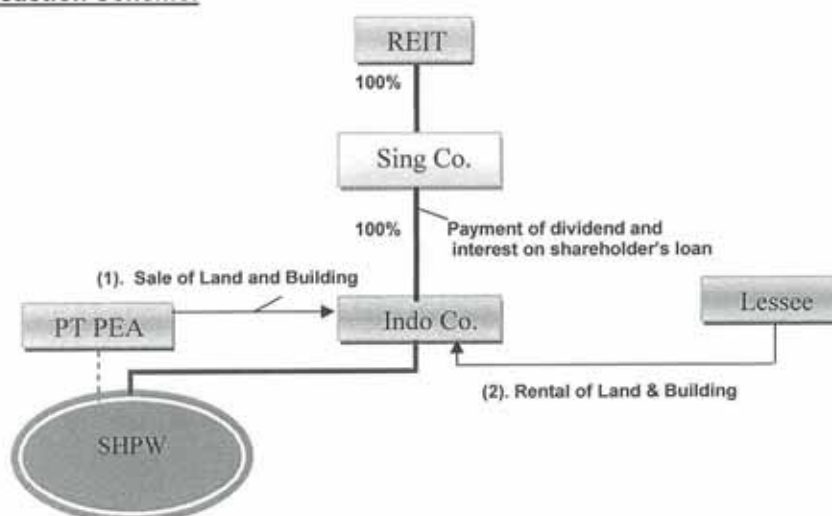
Dear Sirs,

Re: Tax Implications on acquisition of Land& Building and Shares by First REIT

This letter has been prepared for First REIT, a Real Estate Investment Trust, to be included in the submission for Singapore Exchange Securities Trading Limited (the "SGX-ST"). The purpose of this letter is to provide a general overview of the Indonesian tax implications attributable to the transactions by First REIT ("REIT") in Indonesia.

Herewith, please find below our tax opinion on the above matter:

Transaction Scheme:



Notes :

Sing Co. : - **Finura Investments Pte. Ltd. (75% ownership); and**
- **Glamis Investments Pte. Ltd. (25% ownership)**

Fact :

“(1)” :

REIT intends to acquire the land and building of Siloam Hospitals Purwakarta (“SHPW”) from PT Purimas Elok Asri (“PT PEA”) through its subsidiary an Indonesian Company (Indo Co.).

“(2)” :

Lessee will lease land and building of SHPW from Indo Co. (“Lessors”).

Discussion:

A. Purchase of Land and Building from PT PEA by Indo Co.

■ **Indo Co.**

Land and Building Acquisition Tax

The purchase of land and building from PT PEA by Indo Co. is subject to the land and building acquisition tax at the rate of 5%, whichever is higher between the purchase price or the Sale Value of the Tax Object (NJOP) as determined by the head of local government.

Value Added Tax (VAT)

Indo Co. will be charged VAT at the rate of ten per cent (10%) on the purchase of land and building by PT PEA. However, the VAT charges by PT PEA will be treated as input VAT, which can be used to offset the output VAT from rental income of Indo Co.

B. Rent of Land and/or Building by Lessee to Lessors

■ **Lessors**

Corporate Income Tax

The rental income (including the service charge, if any) from Lessors is subject to final income tax, as stated in Article 4 paragraph 2 of the Income Tax Law.

The imposition of final income tax does not mean that the income from the lease of land and/or building does not need to be reported in the annual income tax return (*SPT PPh*). The income still needs to be reported in the income tax return, but it does not need to be combined with the other income which is not subject to final income tax in the calculation of the taxable income in the relevant tax year.

Value Added Tax on the Rent of Land and/or Buildings

Lessors must charge VAT on the rent of land and/or building including service charge (if any) to Lessee at the rate of ten per cent (10%).

■ **Lessee**

Article 4(2) Withholding Income Tax

The payment of rental on land and/or buildings leased by Lessee to Lessors will be subject to a final income tax at the rate of ten (10) per cent on the gross value of the rental of land and/or building, including the service charge (if any).

C. Payment of Dividends from Indo Co. to Sing Co.

■ **Indo Co.**

Value Added Tax on Payment of Dividend

There will be no VAT on the payment of dividend.

Article 26 Withholding Income Tax on Payment of Dividend

The Indonesian tax laws generally require a twenty (20) per cent tax to be withheld on the payment of dividend from an Indonesian taxpayer to an offshore taxpayer. Under the tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to ten (10) per cent on the payment of dividend.

The reduced withholding tax rate of ten (10) per cent set out in the Singapore-Indonesia tax treaty can be used on the payment of dividend by Indo Co. to Sing Co. if Sing Co. can fulfill the conditions set out in Article 4 paragraph 2 of Director General of Taxes Regulation No. 62/PJ./2009 dated November 5, 2009 which has been amended by Director General of Taxes Regulation No.

25/PJ/2010 dated April 30, 2010 regarding the *Prevention of Tax Treaty Abuse*:

1. The company is established in the tax treaty partner country or has a structure/scheme transaction arrangement which is not solely intended to take advantage of a tax treaty benefit; and
2. Its operation is managed by the management itself who has sufficient authority to do transactions; and
3. The company has employees; and
4. The company has activities or active business; and
5. The Indonesia sourced income is subject to tax in the recipient country; and
6. The company does not use more than fifty percent (50%) of its total income to fulfill its obligations to other parties in the form of interest, royalty or other types of compensation.

and Sing Co. must submit the original copy of its Certificate of Domicile (DGT Form 1) to Indo Co. to demonstrate that it is the beneficial owner of the dividend payment.

Indonesian tax laws do not regulate when a dividend should be declared. Meanwhile, the time when dividend can be declared and remitted by Indo Co. to the Sing Co. should be in accordance to the rules set out in the Indonesian General Accepted Accounting Principle ("GAAP").

There is no need for the Indo Co. to obtain tax clearance in order to declare or remit dividends.

D. Payment of Shareholders' Loans

■ Indo Co.

The Repayment of Principal from Shareholders' loans

The repayment of principal from the shareholder's loans will not be subject to any form of Indonesian tax.

Interest on shareholders' loan

The Indonesian tax rules generally require a twenty (20) per cent tax to be withheld on the payment of interest from an Indonesian taxpayer to an offshore taxpayer. Under the tax treaty between Singapore and Indonesia, the rate of withholding tax is reduced to ten (10) per cent on the payment of interest.

The reduced withholding tax rate of ten (10) per cent set out in the Singapore-Indonesia tax treaty can be used on the payment of interest by Indo Co. to Sing Co. if Sing Co. can fulfill the conditions set out in Article 4 paragraph 2 of Director General of Taxes Regulation No. 62/PJ./2009 dated November 5, 2009 which has been amended by Director General of Taxes Regulation No. 25/PJ/2010 dated April 30, 2010 regarding the *Prevention of Tax Treaty Abuse*:

1. The company is established in the tax treaty partner country or has a structure/scheme transaction arrangement which is not solely intended to take advantage of a tax treaty benefit; and
2. Its operation is managed by the management itself who has sufficient authority to do transactions; and
3. The company has employees; and
4. The company has activities or active business; and
5. The Indonesia sourced income is subject to tax in the recipient country; and
6. The company does not use more than fifty percent (50%) of its total income to fulfill its obligations to other parties in the form of interest, royalty or other types of compensation.

and Sing Co. must submit the original copy of its Certificate of Domicile (DGT Form 1) to Indo Co. to demonstrate that it is a beneficial owner of the interest payment.

There is no need for the Indo Co. to obtain tax clearance in order to remit interest.

Should you have any questions regarding this matter, please do not hesitate to contact us.

Sincerely yours,



Aristo Tjahyadi
Partner

FIRST REAL ESTATE INVESTMENT TRUST

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of First Real Estate Investment Trust ("**First REIT**") will be held at Mandarin Ballroom III, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Wednesday, 30 April 2014, at 3:00 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of First REIT to be held at 2:30 p.m. on the same day and at the same place) (the "**EGM**"), for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

ORDINARY RESOLUTION

1. THE SHPW ACQUISITION AND THE SHPW MASTER LEASE

That subject to and conditional upon the passing of Resolution 2:

- (i) approval be and is hereby given for the acquisition (the "**SHPW Acquisition**") of Siloam Hospitals Purwakarta ("**SHPW**") by Finura Investments (a direct wholly-owned subsidiary of First REIT), or its wholly-owned subsidiary, from PT Purimas Elok Asri ("**PT PEA**"), an indirect wholly-owned subsidiary of PT Metropolis Propertindo Utama ("**PT MPU**"), based on the terms and conditions as described in the circular dated 11 April 2014 (the "**Circular**") issued by Bowsprit Capital Corporation Limited, in its capacity as manager of First REIT (the "**Manager**"), to holders of units in First REIT ("**Unitholders**"), as well as for the payment of all fees and expenses relating to the SHPW Acquisition;
- (ii) approval be and is hereby given for the grant of a master lease of SHPW to PT MPU (the "**SHPW Master Lease**"), based on the terms and conditions as described in the Circular; and
- (iii) the Manager, any director of the Manager ("**Director**") and HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of First REIT (the "**Trustee**"), be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of First REIT to give effect to the SHPW Acquisition and the SHPW Master Lease.

2. THE PROPOSED ISSUANCE OF THE CONSIDERATION UNITS

That subject to and conditional upon the passing of Resolution 1:

- (i) approval be and is hereby given for the Manager to issue the Consideration Units (as defined in the Circular) for the purpose of the SHPW Acquisition; and

- (ii) the Manager, any Director and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager, such Director or, as the case may be, the Trustee may consider expedient or necessary or in the interests of First REIT to give effect to the issuance of the Consideration Units.

BY ORDER OF THE BOARD
Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
(Company Registration No. 200607070D)

Elizabeth Krishnan
Company Secretary
Singapore
11 April 2014

Important Notice:

- (1) A unitholder of First REIT entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a unitholder of First REIT.
- (2) Where a unitholder of First REIT appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
- (3) The instrument appointing a proxy must be lodged at the registered office of the Manager at 50 Collyer Quay, #06-01 OUE Bayfront, Singapore 049321, not less than 48 hours before the time appointed for the Extraordinary General Meeting.

FIRST REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 October 2006 (as amended))
Managed by Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
(Company Registration No. 200607070D)

PROXY FORM EXTRAORDINARY GENERAL MEETING

IMPORTANT:

1. For investors who have used their CPF money to buy units in First REIT, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. CPF Investors who wish to attend the Extraordinary General Meeting as observers have to submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

I/We _____ (Name)

of _____ (Address)

being a unitholder/unitholders of First Real Estate Investment Trust ("First REIT"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Unitholdings	
		No. of Units	%
Address			

or, both of whom failing, the Chairman of the Extraordinary General Meeting as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting of First REIT to be held at Mandarin Ballroom III, Level 6, Main Tower, Mandarin Orchard Singapore, 333 Orchard Road, Singapore 238867 on Wednesday, 30 April 2014, at 3:00 p.m. (or as soon thereafter following the conclusion or adjournment of the Annual General Meeting of First REIT to be held at 2:30 p.m. on the same day and at the same place) and any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Extraordinary General Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the Extraordinary General Meeting.

	Resolutions	To be used in the event of a poll	
		No. of Votes for *	No. of Votes Against *
	ORDINARY RESOLUTION		
1	To approve the SHPW Acquisition and the SHPW Master Lease (Conditional upon Resolution 2 being passed)		
2	To approve the proposed issuance of the Consideration Units (Conditional upon Resolution 1 being passed)		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2014

Total number of Units held

--

Signature(s) of unitholder(s)/Common Seal



IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form

1. A unitholder of First Real Estate Investment Trust ("**First REIT**") and a unitholder of First REIT, "**Unitholder**") entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder.
2. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
3. Completion and return of this instrument appointing a proxy shall not preclude a Unitholder from attending and voting at the Extraordinary General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the Extraordinary General Meeting in person, and in such event, First REIT reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Extraordinary General Meeting.
4. A Unitholder should insert the total number of units in First REIT ("**Units**") held. If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of First REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.
5. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the registered office of the Manager at 50 Collyer Quay, #06-01 OUE Bayfront, Singapore 049321, not less than 48 hours before the time set for the Extraordinary General Meeting.

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AFFIX
POSTAGE
STAMP

The Company Secretary
Bowsprit Capital Corporation Limited
(as manager of First Real Estate Investment Trust)
50 Collyer Quay #06-01
OUE Bayfront, Singapore 049321

2nd fold here

6. The Proxy Form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
 7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must (failing previous registration with Bowsprit Capital Corporation Limited, as manager of First REIT (the "**Manager**")) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.
 8. A corporation which is a Unitholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
 9. The Manager and/or the Unit Registrar shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager and/or the Unit Registrar may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by CDP to the Manager.
 10. All Unitholders will be bound by the outcome of the Extraordinary General Meeting regardless of whether they have attended or voted at the Extraordinary General Meeting.
 11. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he/she is the Unitholder. A person entitled to more than one vote need not use all his/her votes or cast them the same way.
 12. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Extraordinary General Meeting as observers are requested to submit in writing, a list with details of the CPF Investors' names, NRIC/Passport numbers, addresses and number of Units held. The list, signed by an authorised signatory of the relevant CPF Approved Nominees, should reach the registered office of the Manager at 50 Collyer Quay, #06-01 OUE Bayfront, Singapore 049321, not less than 48 hours before the time appointed for holding the Extraordinary General Meeting.
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