

IFA to the Independent Committee, the Audit and Risk Committee and to Perpetual (Asia) Limited (in its capacity as trustee of First REIT) in relation to (i) the Proposed LPKR MLA Restructuring as an IPT and (ii) the Proposed Whitewash Resolution in relation to a proposed Rights Issue

First Real Estate Investment Trust (“**First REIT**”) is a real estate investment trust listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Its 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. As at 31 December 2019, First REIT has a diversified asset portfolio of 20 properties, comprising 16 located in Indonesia, 3 in Singapore and 1 in South Korea, with a combined gross floor area of 350,850 square metres.

All of the properties in First REIT at the time of its initial public offering (“**IPO**”) in December 2006 were leased to PT. Lippo Karawaci Tbk (“**LPKR**”) under master lease agreements (“**MLAs**”). These properties include Siloam Hospitals Surabaya, Siloam Hospitals Kebon Jeruk (formerly known as Siloam Hospitals West Jakarta), and Siloam Hospitals Lippo Village (the “**IPO Hospital Properties**”). The MLAs in respect of the IPO Hospital Properties (the “**IPO MLAs**”) have an initial term of 15 years, subject to an option given to LPKR to renew the MLAs for another 15 years. The initial term of the IPO MLAs will expire in December 2021. First REIT Management Limited (the “**Manager**”) had been engaging with LPKR on the renewal of the IPO MLAs since 2019.

On 1 June 2020, LPKR unilaterally announced its intention to restructure all of the LPKR MLAs, in respect of 11 hospitals which First REIT had acquired from LPKR (the “**Proposed LPKR MLA Restructuring**”), citing a real risk and high probability that LPKR would default under the existing LPKR MLAs in the absence of the Proposed LPKR MLA Restructuring. On 20 September 2020, the Manager announced that it had received a non-binding rental restructuring proposal from LPKR in respect of the LPKR MLAs and that the Board had set up an independent board committee (the “**Independent Committee**”) comprising all the independent directors of the Board (the “**Independent Directors**”) to carefully consider and evaluate the non-binding proposal. On 30 September 2020, the Manager announced that it had appointed Merrill Lynch (Singapore) Pte. Ltd. as financial adviser to the Manager in connection with the restructuring discussions.

Dr Stephen Riady and Mr James Tjahaja Riady were each deemed to be interested in approximately 19.72% of the Units and therefore each regarded as a “controlling unitholder” of First REIT under both the listing manual of the SGX-ST (the “**Listing Manual**”) and Appendix 6 of the Code on CIS (the “**Property Funds Appendix**”). In addition, as Dr Stephen Riady and Mr James Tjahaja Riady were each deemed to be interested in 100.0% of the shares in the Manager, they were each regarded as a “controlling shareholder” of the Manager under both the Listing Manual and the Property Funds Appendix. Given that each of Dr Stephen Riady and Mr James Tjahaja Riady were deemed interested in 58.67% of the shares in LPKR and LPKR was deemed interested in 100% of the shares in the wholly-owned subsidiaries of PT Siloam International Hospitals Tbk (“**Siloam**”), LPKR and the wholly-owned subsidiaries of Siloam were deemed to be “interested persons” (for the purposes of the Listing Manual) and “interested parties” (for the purposes of the Property Funds Appendix) of First REIT. Accordingly, the Proposed LPKR MLA Restructuring constituted as an “interested person transaction” under Chapter 9 of the Listing Manual as well as an “interested party transaction” under the Property Funds Appendix.

In conjunction with the Proposed LPKR MLA Restructuring, the Manager intended to undertake a rights issue to issue approximately 791,063,000 Units (the “**Rights Units**”) on a renounceable basis to Eligible Unitholders and on a *pro rata* basis of 98 Rights Units for every 100 existing Units, at an indicative issue price of S\$0.20 per Rights Unit, fractional entitlements to be disregarded (the “**Rights Issue**”). Out of the gross proceeds of approximately S\$158.2 million, approximately S\$140.0 million was intended to repay part of a secured loan facility to be refinanced in connection with the Proposed LPKR MLA Restructuring, while the remaining S\$18.2 million will go towards professional fees and working capital of First REIT.

To show support for the Rights Issue, First REIT’s sponsor, OUE Limited (“**OUE**”), and together with its concert parties, undertook to subscribe for their provisional allotment of Rights Units and any excess Rights Units which are not subscribed for by other Unitholders. Upon issue of the excess Rights Units, OUE and its concert parties could potentially increase their aggregate interest in First REIT from 19.73% to exceed the threshold of 30.0% pursuant to Rule 14 of the Takeover Code. The Securities Industry Council granted OUE and its concert parties a waiver for the obligation to make a Mandatory Offer, subject to the approval of Unitholders (the “**Proposed Whitewash Resolution**”).

SAC Capital acted as the independent financial adviser (“**IFA**”) to the Independent Committee, the Audit and Risk Committee and to Perpetual (Asia) Limited (in its capacity as trustee of First REIT), to provide an opinion as to whether (i) the Proposed LPKR MLA Restructuring is on normal commercial terms and not prejudicial to the interests of First REIT and its minority Unitholders, (ii) the terms of the Rights Issue, which is the subject of the Proposed Whitewash Resolution, are fair and reasonable, and (iii) the Proposed Whitewash Resolution is fair and reasonable. The circular, containing *inter alia*, SAC Capital’s IFA letter, was despatched to Unitholders on 28 December 2020.

At the EGM held on 19 January 2021, First REIT received Unitholders’ approval for the resolutions in respect of the Proposed LPKR MLA Restructuring and the Proposed Whitewash Resolution.

For more information on our past transactions, click [here](#)

About SAC Capital

SAC Capital enjoys a long-standing reputation as a specialist in corporate finance, and we have been a trusted advisor to our clients and partners since 2004.

As an expert in the small-medium enterprise space across various disciplines – Initial Public Offerings (IPOs), mergers and acquisitions (M&As), corporate transactions for listed companies, underwriting and share placement, fund raising and Catalyst Sponsorship – we understand our clients’ needs very well, and we are able to steer them in the right direction.

Financial Advisory - acting as FA and IFA

We provide financial advisory services for corporate exercises, taking into account the various compliance requirements, working alongside our clients to achieve their objectives.

Acting as Financial Adviser or Independent Financial Adviser, we have wide ranging experiences spanning Reverse Takeovers, General Offers, Interested Person Transactions and Delistings. The accumulated experiences from all the advisory engagements completed since 2004, numbering in excess of 150, gives us in depth knowledge of a broad spectrum of corporate advisory services.

Fundraising, M&A and Underwriting

Our Capital Markets (CM) unit assists our clients in fund-raising activities in both private and public equity markets. Our services include IPOs, secondary placements, rights issues, convertible bonds, pre-IPO financing, strategic equity and M&A. We deal with each client’s specific requirements and provide customised capital markets solutions.

We are a leading placement agent and underwriter of equity and equity-linked offerings in Singapore, having completed offerings in the Lifestyle, Consumers, Healthcare, Technology, Media and Telecom (TMT), Real Estate, Manufacturing, Mineral, Oil and Gas (MOG) and Specialised Engineering sectors. Notwithstanding the above, the CM unit is sector agnostic with a wide range of expertise. CM unit also assists our clients in their communications with the equity markets.

Mainboard & Catalist Listing

We advise our clients on equity fund raising which includes IPOs. Our work involves advising on, amongst others, restructuring exercises and compliance requirements of the Singapore Exchange and other regulatory authorities for the purpose of equity fund raising.

We also advise on Reverse Takeovers and secondary listings. We seek to understand our client's long term business plan and strategy so as to provide the appropriate advice to tailor to their needs and requirements.

Catalist Sponsorship

We are one of the leaders in the market in the Catalist Sponsorship space, with a view to support the growth of our sponsored issuers. Our principal scope of services as a Catalist Sponsor is to advise and guide our sponsored issuers in relation to their continuing listing obligations, on an ongoing basis under the Catalist Rules. Our experienced team of professionals work closely with the directors and management team of the sponsored issuers and assist them in disclosure and compliance matters for corporate actions and developments.


Research


With comprehensive knowledge of the local capital market, our experience and access to information means that the company is well placed to produce research reports. We seek to fill the gap in the industry where there is minimal research coverage for small and medium enterprises (SMEs) listed on the SGX. SAC Capital aims to provide a platform which assists investors in making informed decision when investing in these high-growth small/medium companies while promoting awareness and educating the general public of the merits of investing in listed SMEs.


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